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LEGISLATIVE HISTORY

Public Law 551--78th Congress

Chapter 713--2d Session

H. R. 4911

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## DIGEST OF PUBLIC LAW 551

AMENDMENTS TO FEDERAL CROP INSURANCE ACT. Authorizes insurance on wheat, cotton, and flax, commencing in 1945. Authorizes trial insurance in not over 20 counties on other crops, including certain named crops, limited for each crop to a 3-year period and limited to corn and tobacco in 1945 and to not more than 3 additional crops each succeeding year. Provides that premiums shall be at such rate as deemed sufficient to cover claims for losses and for establishment as expeditiously as possible of a reasonable reserve against unforeseen losses, and that after the crop year 1948 such reserves shall not be less than 10 percent of the premiums collected on the commodity. Provides that after the crop year 1949 a proration plan shall be put into effect providing that if claims for losses on any agricultural commodity in any year exceed the total amount of premiums collected less the accumulated premium reserves with regard to such commodity, such claim shall be paid on a pro-rata reduced basis. Provides that after the crop year 1949 administrative expenses in any operating year may not exceed 25 percent of the premiums collected for the preceding year. Authorizes appropriation of WFA of \$30,000,000 for making payments to flax producers to encourage production for the crop year 1945.



## INDEX AND SUMMARY OF HISTORY ON H. R. 4911

|                   |   |
|-------------------|---|
| June 1, 1944      | H. R. 4911 was introduced by Rep. Fulmer and was referred to the House Committee on Agriculture. Print of the bill as introduced. |
| June 2, 1944      | House Committee reported H. R. 4911 without amendment. House Report 1592. Print of the bill as reported.                          |
| November 21, 1944 | House began debate on H. R. 4911.   |
| November 22, 1944 | Debate concluded. Passed House with amendments.   |
| November 24, 1944 | H. R. 4911 was referred to the Senate Committee on Agriculture and Forestry. Print of the bill as referred.                       |
| November 27, 1944 | Hearings: Senate, H. R. 4911.   |
| December 2, 1944  | Senate Committee reported H. R. 4911 without amendment. Senate Report 1298. Print of the bill as reported.                        |
| December 12, 1944 | Amendment proposed by Senator Maybank. Print of the amendment with discussion.  |
| December 13, 1944 | Senate began debate on H. R. 4911.  |
| December 14, 1944 | Debate concluded. Passed Senate with amendments.  |
| December 15, 1944 | House received the Conference Report. House Rept. 2083.   |
| December 16, 1944 | Both Houses agreed to the Conference Report.  |
| December 23, 1944 | Approved. Public Law 551.   |

Note: House hearings were held but not published.









consent that the permanent Record and Journal be corrected accordingly.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

#### EXTENSION OF REMARKS

Mr. NORRELL. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record and to include therein an editorial dated December 12, 1944, from the Arkansas Gazette.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

[The matter referred to appears in the Appendix.]

#### HOLDING THE LINE

The SPEAKER. Under the previous order of the House, the gentleman from Kansas [Mr. REES] is recognized for 10 minutes.

Mr. REES of Kansas. Mr. Speaker, during the last few days there has been a considerable amount of legislation introduced providing for the increase of salaries for the President, the Vice President, the Cabinet, and for Members of Congress, as well as other legislation for the benefit of Members of Congress.

Mr. Speaker, I do not believe this is the time for Congress to give favorable consideration to such legislation, especially when so much is being said about the necessity of holding the line on salaries, expenses, and cost of living. We hear a lot of discussion about adhering to the Little Steel formula in order to prevent inflation. I voted against the legislation to increase the allowance for assistance in congressional offices because I felt that if later on there were a greater need for it, than now, we could take care of it at that time.

Mr. Speaker, under a proposed measure a few days ago the President's salary would be increased to \$100,000. The President himself said he felt \$25,000 should be the limit for any executive. I do not see how he can approve such action.

Mr. Speaker, we are in the midst of a most critical period of this war when everyone is expected to bend his energies and his efforts to bring this war to a successful conclusion just as promptly as possible. Congress is being called upon on the one hand to fix ceilings on the things we buy and the things we sell. Demands are also being made for increases in salary payments and wages of people in all walks of life. Many of these demands are justified. Salaries and incomes of many of our people that are frozen are being shrunk because of increased prices and more taxation.

Mr. Speaker, the old adage of charity begins at home ought to apply with respect to this matter. We ought not, in my judgment, and I speak for myself only, to increase our own salaries or that of Cabinet members or the President or Vice President in this crucial time. Mr. Speaker, I believe in view of the situation this House and this Congress ought not to give favorable consideration to such legislation. It is untimely and out of place.

(Mr. REES of Kansas asked and was given permission to revise and extend his remarks.)

#### POST-WAR PROBLEMS

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent that my colleague the gentlewoman from New York [Miss STANLEY] may address the House for 5 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Miss STANLEY. Mr. Speaker, no matter what other subjects we may discuss in this illustrious forum, most of us are constantly thinking about the terrible toll of the war. Even those of us who have only young brothers, cousins, and friends engaged in combat overseas spend many hours trying to be of real service in the world crisis.

For that reason this Representative finds courage to rise in the presence of those who possess so much wisdom and such superior seniority. Naturally every one of us is deeply concerned with the conclusion of the war and with problems of post-war adjustment. However, many of us feel that unless we devote our best attention to the important matter of finding the most practical methods of maintaining world peace, other efforts will have been in vain. Certainly we must be both idealistic and realistic if we are to help prevent future wars.

A great many voices have been raised in favor of some kind of world organization to maintain the peace. Paradoxically, such an organization may find it necessary to use force to prevent future wars. Even in the most peace-loving community there arise occasions when lawbreakers must be curbed by force. The proposed United Nations organization would not use force as a declaration of war. Instead, it would be employed in the nature of a sanction to maintain world harmony. In the event of a threat to world peace, it might become essential to use this force immediately. There seems to some of us good reason, therefore, to give to the United States delegate to any such organization some congressional authority in advance concerning the use of that force.

The following resolution is respectfully submitted:

*Resolved*, That for national security and world peace, the Representatives of the Seventy-eighth Congress, contingent upon the ratification of a United Nations Compact, as a treaty, favor enactment of legislation establishing and maintaining a peace authority of specific armed forces for the purpose of suppressing breaches or threatened breaches of the peace, and empowering the President without further sanction by the Congress to use the peace authority or any part of it for the purpose stated, on the occasion and conditions as stipulated in the treaty.

Mr. Speaker, a few weeks ago our office wrote to a very seriously wounded boy from Buffalo who is now in Walter Reed Hospital. We offered to help him with any problems that he might have. In reply we received a dictated letter. This youngster, one of those casualties so

very concisely referred to as an amputation case, said in his letter:

Thank you very much. I have no problems, but you people who serve in Congress have many. I pray that God will help you solve them for us.

In his recent report on the state of the war, Mr. Walter Lippmann has suggested that those of us who have the privilege serving in public office should act with an understanding of the magnitude as well as the dangers of the task our fighting men face. An American infantryman states the premise simply: "How strange that war's arithmetic discounts the spread of sorrow as the sorrow mounts." Opinions in this great forum as to the best way to maintain world peace will, of course, vary. One fact is clear, the intense patriotism and keen intelligence of the Members of this distinguished House of Representatives guarantee their appreciation of the magnitude of the job of maintaining world peace. It is obviously a job which will last as long as the human race survives.

The SPEAKER. From information the Chair has at this time, it might be wise for Members to wait until afternoon tomorrow before leaving the city.

#### RECESS

The House will now stand in recess until 4:30 today.

Accordingly (at 2 o'clock and 45 minutes p. m.) the House stood until 4:30 p. m.

#### AFTER RECESS

The recess having expired, the House was called to order by the Speaker at 4:30 o'clock p. m.

#### STILL FURTHER MESSAGE FROM THE SENATE

A still further message from the Senate, by Mr. Gatlin, one of its clerks, announced that the Senate had passed without amendment a bill of the following title:

H. R. 5206. An act to authorize Belfry Coal Co. to construct, maintain, and operate a free suspension bridge conveyor across the Tug Fork of the Big Sandy River at or near Sprigg, W. Va.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, bills of the House of the following titles:

H. R. 4333. An act for the relief of Bertha LeFrancq; and

H. R. 5590. An act to increase clerk hire, and for other purposes.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 5537. An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1944, and for prior fiscal years, and to provide supplemental appropriations for the fiscal years ending June 30, 1945, and June 30, 1946, and for other purposes.

The message also announced that the Senate insists upon its amendments to the foregoing bill, requests a conference with the House on the disagreeing votes



of the two Houses thereon, and appoints Mr. McKELLAR, Mr. GLASS, Mr. HAYDEN, Mr. TYDINGS, Mr. RUSSELL, Mr. NYE, Mr. HOLMAN, and Mr. BROOKS to be the conferees on the part of the Senate.

The message also announced that the Senate has ordered that the Secretary directed to request the House of Representatives to return to the Senate the (H. R. 3961) entitled "An act authorizing the construction, repair, and preservation of certain public works on rivers and harbors, and for other purposes."

#### ELECTION TO COMMITTEES

Mr. DOUGHTON of North Carolina. Mr. Speaker, I offer a resolution and ask for its immediate consideration.

The Clerk read the resolution (H. Res. 1), as follows:

*Resolved*, That the following-named Members be, and they are hereby elected members of the standing committees of the House Representatives, as follows:

Immigration and Reclamation: ALFRED J. OTT, of California.  
Merchant Marine and Fisheries: RALPH H. WATSON of Virginia.  
Migration and Naturalization: RALPH H. DOUGHTON of Virginia.

The resolution was agreed to.

#### BEST SUPPLEMENTAL APPROPRIATION BILL, 1945

CANNON of Missouri. Mr. Speaker, unanimous consent to take from the Speaker's table the bill (H. R. 5587) making appropriations to supply deficiencies in certain appropriations for the year ending June 30, 1944, and for fiscal years, and to provide supplemental appropriations for the fiscal year ending June 30, 1945, and June 30, 1946, and for other purposes, with Senate amendments thereto, disagree to the amendments, and ask for a conference with the Senate.

The Clerk read the title of the bill.

THE SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

The Speaker appointed the following conferees: Messrs. CANNON of Missouri, WOODRUM of Virginia, LUDLOW, SNYDER, O'NEAL, RABAUT, JOHNSON of Oklahoma, DIRKSEN, ENGEL of Michigan, CASE, and KEEFE.

#### RIVER AND HARBOR BILL

The SPEAKER laid before the House the following request from the Senate:

*Ordered*, that the Secretary be directed to request the House of Representatives to return to the Senate the bill (H. R. 3961) entitled "An act authorizing the construction, repair, and preservation of certain public works on rivers and harbors, and for other purposes," together with the papers thereon.

Mr. MARTIN of Massachusetts. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MARTIN of Massachusetts. Do I correctly understand the parliamentary situation in regard to this bill to be that if we grant the request of the Senate it permits that branch of the Government to accept the conference report which was agreed to by the House?

The SPEAKER. The Senate may reconsider its former action in rejecting the conference report.

The question is on agreeing to the request of the Senate.

The request of the Senate was agreed to.

A motion to reconsider was laid on the table.

#### ADDITIONAL CLERK HIRE

Mr. COCHRAN. Mr. Speaker, by direction of the Committee on Accounts, I ask unanimous consent to take from the Speaker's table the bill (H. R. 5590) to increase clerk hire, and for other purposes, with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment as follows:

On page 3, after line 6, insert:

"Sec. 2. Effective January 1, 1945—

"(a) The paragraph in the Legislative Branch Appropriations Act, 1945, which permits Senators and chairmen of standing committees of the Senate to rearrange the schedule of basic salaries of employees in their respective offices or committees is hereby amended by striking out "4,500" wherever it appears and inserting in lieu thereof "\$5,040."

"(b) The aggregate amount of the basic compensation authorized to be paid to employees in the offices of Senators (including employees of standing committees of which Senators are chairmen) is hereby increased by (1) \$4,020 in the case of each Senator from a State which has a population of less than 4,000,000 inhabitants and, (2) by \$5,040 in the case of each Senator from a State which has a population of 4,000,000 or more inhabitants."

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

#### CROP INSURANCE BILL

Mr. FLANNAGAN. Mr. Speaker, I ask unanimous consent that the House conferees on the crop insurance bill (H. R. 4911) be given until midnight tonight to file a conference report and statement on that bill.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

The conference report and statement referred to follow:

#### CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 4911) to amend the Federal Crop Insurance Act having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment numbered 11 and agree to the provision of the House bill amended to read as follows:

"Provided, That, after the crop year of 1949, not more than a sum equivalent to 25 per centum of the premiums collected in the preceding year (beginning calculation of premiums collected in the crop year of 1949)

shall be used for administrative expenses in any current operating year."

And the House agree to the same.

That the Senate recede from its amendment numbered 12 and agree to the provision of the House bill amended to read as follows:

"Provided, however, That, after the crop year of 1949, if the total amount of accumulated claims for losses on any agricultural commodity for any year exceeds the total amount of the premiums collected less the accumulated premium reserves of the Corporation with respect to any such commodity (which reserves, after the crop year of 1948, shall not be less than 10 per centum of the premiums collected on such commodity), such claims shall be paid on a pro rata reduced basis."

And the House agree to the same.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 13, 14, 15, 16, 17, 18, and agree to the same.

J. W. FLANNAGAN, Jr.,

HAROLD D. COOLEY,

ORVILLE ZIMMERMAN,

CLIFFORD R. HOPE,

AUG. H. ANDRESEN,

*Managers on the part of the House.*

ELMER THOMAS,

J. H. BANKHEAD,

ALLEN J. ELLENDER,

RICHARD B. RUSSELL,

ARTHUR CAPPER,

HENRIK SHIPSTEAD,

GEORGE D. AIKEN,

*Managers on the part of the Senate.*

#### STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 4911) to amend the Federal Crop Insurance Act, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Section 1 of the House bill authorized all-risk crop insurance with respect to wheat, cotton and flax commencing with the crops planted for harvest in 1945. Such insurance coverage was to be fixed by the Board at not in excess of 75 per centum of the recorded or appraised average yield for the farm except that such coverage was not to exceed the investment in the crop. The Senate struck out the provision in the House bill limiting the insurance coverage to the investment in the crop. The House agrees to this Senate change.

Section 1 of the House bill also authorized experimental insurance with respect to many specifically named agricultural commodities, and in general with respect to all agricultural commodities, if actuarial data are available. Experimental insurance with respect to any commodity was to be limited to the producers in not to exceed 20 representative counties and could be insured on the basis of cost of investment as well as yield. The Senate added sugarcane, timber and forests to the list of named crops. The Senate also provided that beginning with the crop year 1945 experimental insurance should be limited to corn and tobacco and to not more than three additional crops for each year thereafter. The Senate also made some additional technical and clarifying changes in section 1 of the House bill. The House agrees to these Senate changes.

Section 2 of the House bill authorized the Corporation to fix adequate premiums to cover crop losses and to establish within a period of three years a reasonable reserve against unforeseen losses. This section of the House bill also provided that after the crop year 1945 not more than 25 per centum of the premiums collected in the preceding year



shall be used for administrative expenses in any current operating year. The Senate changed the bill to provide that the reserve against unforeseen losses should be established as expeditiously as possible in lieu of the three-year period provided in the House bill and the House agrees to this change. However, the conference agreement provides, by amendment to section 3, that after the crop year 1948 the reserves against unforeseen losses to be established by the Corporation shall not be less than 10 per centum of the premiums collected with respect to any agricultural commodity. The Senate struck out the limitation on administrative expenses. The conference agreement retains the House limitation on administrative expenses except that the limitation is not applicable until after the crop year 1949.

Section 3 of the House bill authorized the Corporation to adjust and pay claims for losses provided that if the amount of approved claims exceeded the premiums collected plus accumulated reserves, such claims were to be paid on a pro rata reduced basis except that for the first three crop years the claims were not to be reduced by more than 15 per centum of the approved amount. The conference agreement retains the principle of the House provision. Under the conference agreement, after the crop year 1949, if the approved claims for losses on any commodity exceed the premiums collected less the accumulated premium reserves, such claims shall be paid on a pro rata reduced basis, and the Corporation would be required, after the crop year 1948, to set up as a reserve not less than 10 per centum of the premiums collected on any commodity.

Section 4 of the House bill which repealed subsection (c) of section 508 of the Federal Crop Insurance Act was stricken out by the Senate. Since under the terms of the House bill insurance with respect to cotton was limited to the investment in the crop subsection (c) of section 508 of the Federal Crop Insurance Act, which provided for recognizing the value of cottonseed in determining insurance coverage, was not necessary. Inasmuch as the conference agreement now provides for yield insurance with respect to cotton, this provision of the existing law should not be repealed. Accordingly, the House agrees to the Senate amendment.

Section 5 of the House bill, now section 4, amended section 518 of the Federal Crop Insurance Act to broaden the definition of the term "agricultural commodity". The Senate amended this definition by adding sugarcane, timber, and forests. The House agrees to this change.

The Senate amended the House bill by adding a new section 5 authorizing an appropriation of \$30,000,000 for making payments to producers to encourage an increased production of flax for the crop year 1945. It provided that this money shall be expended subject to such provisions of sections 7 to 17 of the Soil Conservation and Domestic Allotment Act, as amended, as are applicable to carrying out a program of this kind. The War Food Administrator is authorized to make commitments to the producers of flax in advance of the appropriation of the funds authorized. The House agrees to the Senate amendment.

The Senate also added a new section 6 to the bill. This section makes immediately available for the administration of the Federal Crop Insurance Act for the remainder of the fiscal year ending June 30, 1945, as an additional amount, not in excess of \$3,000,000 of certain unobligated balances of funds heretofore appropriated to carry out the Federal Crop Insurance Act. In addition to reappropriating the \$3,000,000 above referred to, this section repeals the provisions in existing appropriation acts requiring the liquidation of the

Federal Crop Insurance Corporation. The House agrees to the Senate amendment.

J. W. FLANNAGAN, Jr.,  
HAROLD D. COOLEY,  
ORVILLE ZIMMERMAN,  
CLIFFORD R. HOPE,  
AUG. H. ANDRESEN,

*Managers on the part of the House.*

#### BERTHA LEFRANCO

Mr. KEOGH. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H. R. 4333) for the relief of Bertha LeFranco, with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment as follows:

Page 1, line 6, strike out "\$3,895" and insert "\$4,250."

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

#### WILLIAM H. CROMPTON

Mr. KEOGH. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H. R. 4481) for the relief of William H. Crompton, with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment as follows:

Page 1, line 6, strike out "\$5,000" and insert "\$4,000."

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

#### CHRISTINE MANGRUM, LUSTER MANGRUM, AND NATHAN MANGRUM

Mr. KEOGH. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H. R. 2005) for the relief of Christine Mangrum, Luster Mangrum, and Nathan Mangrum, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments as follows:

Page 1, line 6, strike out "\$3,500" and insert "\$2,000."

Page 1, line 7, strike out \$5,000 and insert "\$4,500."

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

#### LEAVE-OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. TABER (at the request of Mr. GAMBLE), for this week, on account of illness.

To Mr. HULL, for 1 week, on account of official business.

#### SENATE ENROLLED BILL SIGNED

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 1159. An act creating the City of Clinton Bridge Commission and authorizing said commission and its successors to acquire by purchase or condemnation and to construct, maintain, and operate a bridge or bridges across the Mississippi River at or near Clinton, Iowa, and at or near Fulton, Ill.

#### BILLS PRESENTED TO THE PRESIDENT

Mr. KLEIN, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, bills of the House of the following titles:

H. R. 2874. An act for the relief of Robert Will Starks; and

H. R. 3791. An act for the relief of the estate of Charles Noah Shipp, deceased.

#### ADJOURNMENT

Mr. RAMSPECK. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 38 minutes p. m.) the House adjourned until tomorrow, Saturday, December 16, 1944, at 12 o'clock noon.

#### EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

2109. A letter from the Coordinator of Inter-American Affairs, transmitting a copy of the estimates of the number of employees required for this Office during the period ending March 31, 1945; to the Committee on the Civil Service.

2110. A letter from the Chairman, Federal Power Commission, transmitting the quarterly estimate of personnel requirements for the Federal Power Commission covering the period ending March 31, 1945; to the Committee on the Civil Service.

2111. A letter from Charles B. Shaw, major, Army of the United States, officer in charge, the American Battle Monuments Commission, transmitting a copy of the quarterly estimate of personnel requirements for the American Battle Monuments Commission for the quarter ending March 31, 1945; to the Committee on the Civil Service.

2112. A letter from the Director, Selective Service System, transmitting a report of the registrants deferred as of September 30, 1944 because of their employment in or under the Federal Government; to the Committee on Military Affairs.

#### REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. LEMKE: Committee on Irrigation and Reclamation. H. R. 4808. A bill to amend the Fact Finders Act; with amendment (Rept. No. 2021, pt. II). Referred to the Committee of the Whole House on the Union.



Mr. BLAND: Committee on the Merchant Marine and Fisheries. Interim report pursuant to House Resolution 52. Resolution on the investigation of East Coast Shipyards, Inc. (Rept. No. 2075). Referred to the Committee of the Whole House on the state of the Union.

Mr. CAPOZZOLI: Committee on the Merchant Marine and Fisheries. Report pursuant to House Resolution 52. Resolution on the investigation of ship-repair yards (Rept. No. 2076). Referred to the Committee of the Whole House on the state of the Union.

Mr. KELLEY: Committee on Labor. Report pursuant to House Resolution 230. Resolution on aid to the physically handicapped (Rept. No. 2077). Referred to the Committee of the Whole House on the state of the Union.

#### REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk

for printing and reference to the proper calendar, as follows:

Mr. MUNDT: Committee on Indian Affairs. S. 1746. A bill authorizing and directing the Secretary of the Interior to issue to Peter A. Condellario a patent in fee to certain land; without amendment (Rept. No. 2079). Referred to the Committee of the Whole House.

Mr. FERNANDEZ: Committee on Indian Affairs. S. 1925. An act to authorize and direct the Secretary of the Interior to issue to Charles F. White a patent in fee to certain land; without amendment (Rept. No. 2080). Referred to the Committee of the Whole House.

Mr. FERNANDEZ: Committee on Indian Affairs. S. 2026. An act authorizing the issuance of a patent in fee to Richard Pickett; without amendment (Rept. No. 2081). Referred to the Committee of the Whole House.

Mr. MUNDT: Committee on Indian Affairs. S. 1602. An act authorizing and directing the Secretary of the Interior to issue to Win-

nie Left Her Behind, a patent in fee to certain land; without amendment (Rept. No. 2082). Referred to the Committee of the Whole House.

#### PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

6250. By Mr. MOTT: Petitions signed by J. H. Van Winkle, of Oregon City, Oreg., and 2,342 other citizens of the State of Oregon, protesting against enactment of House bill 2082 and Senate bill 860 or any other legislation having as its purpose the reenactment of prohibition by direct or indirect means, for the duration of the war or for any other period; to the Committee on the Judiciary.

6251. By the SPEAKER: Petition of the secretary, Casper Chapter, No. 159, Order of AHEPA, protesting against any outside interference in the internal affairs of Greece; to the Committee on Foreign Affairs.

78TH CONGRESS  
2D SESSION

# H. R. 4911

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IN THE HOUSE OF REPRESENTATIVES

JUNE 1, 1944

Mr. FULMER introduced the following bill; which was referred to the Committee on Agriculture

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## A BILL

To amend the Federal Crop Insurance Act.

1     *Be it enacted by the Senate and House of Representa-*  
2     *tives of the United States of America in Congress assembled,*  
3     That subsection (a) of section 508 of the Federal Crop  
4     Insurance Act, as amended, is amended to read as follows:  
5         “(a) (1) Commencing with the wheat, cotton, and  
6     flax crops planted for harvest in 1945, to insure, upon such  
7     terms and conditions not inconsistent with the provisions  
8     of this title as it may determine, producers of wheat, cotton,  
9     and flax against loss in yield of such crops due to unavoidable  
10    causes, including drought, flood, hail, wind, frost, winter-  
11    kill, lightning, hurricane, tornado, insect infestation, plant

1 disease, and such other unavoidable causes as may be de-  
2 termined by the Board. Such insurance shall cover a per-  
3 centage to be determined by the Board not in excess of  
4 75 per centum of the recorded or appraised average yield  
5 of such commodities on the insured farm for a representative  
6 period subject to such adjustments as the Board may pre-  
7 scribe to the end that the average yields fixed for farms  
8 in the same area, which are subject to the same conditions,  
9 may be fair and just: *Provided, however,* That such insurance  
10 coverage shall not exceed the investment in the crop based  
11 on the cost, as determined by the Board, of preparing the  
12 land, of labor, seed, planting, cultivation, disease or insect  
13 control, harvesting, ginning, hauling to market, fertilizer,  
14 irrigation, use of the land, and other applicable costs as  
15 determined by the Board. Such insurance shall not cover  
16 losses due to the neglect or malfeasance of the producer, or  
17 to the failure of the producer to reseed to the same crop in  
18 areas and under circumstances where it is customary to so  
19 reseed, or to the failure of the producer to follow established  
20 good farming practices. Insurance shall not be provided  
21 in any county unless written applications therefor are filed  
22 covering at least one hundred farms or one-third of the farms  
23 normally producing the agricultural commodities authorized  
24 to be insured, except that insurance may be provided for  
25 producers on farms situated in a local producing area border-



1 ing on a county with a crop-insurance program. The Board  
2 may limit insurance in any county or area, or on any farm,  
3 on the basis of the insurance risk involved.

4 “(2) For the purpose of determining the most practical  
5 plan, terms, and conditions of insurance with respect to corn,  
6 tobacco, rice, peanuts, soybeans, sugar beets, citrus fruits,  
7 tame hay, and any other agricultural commodity, if sufficient  
8 actuarial data are available, as determined by the Board, to  
9 insure upon such terms and conditions not inconsistent with  
10 the provisions of this title as it may determine, producers of  
11 such agricultural commodities against loss due to the un-  
12 avoidable causes specified in paragraph (1) of this subsec-  
13 tion. Insurance provided for any agricultural commodity  
14 under this paragraph shall be limited to producers in not to  
15 exceed twenty representative counties selected by the Board  
16 for a period of not more than three years, and shall be subject  
17 to the limitations and conditions provided in paragraph (1)  
18 of this subsection: *Provided, however,* That such insurance  
19 coverage may be the same as the insurance coverage provided  
20 in paragraph (1) of this subsection or may cover a per-  
21 centage not in excess of 75 per centum of the investment in  
22 the crop, determined in accordance with the provisions of  
23 paragraph (1) of this subsection. The Corporation shall  
24 report to the Congress the results of its operations as to each  
25 commodity under this paragraph.”

78<sup>TH</sup> CONGRESS  
2<sup>D</sup> Session

**H. R. 4911**

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**A BILL**

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To amend the Federal Crop Insurance Act.

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By Mr. FULMER

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JUNE 1, 1944

Referred to the Committee on Agriculture







## CROP INSURANCE

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JUNE 2, 1944.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

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Mr. FULMER, from the Committee on Agriculture, submitted the following

### REPORT

[To accompany H. R. 4911]

The Committee on Agriculture, to whom was referred the bill (H. R. 4911) to amend the Federal Crop Insurance Act, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### PRESENT STATUS OF CROP INSURANCE

The Department of Agriculture Appropriation Act, 1944, in the item which appropriated funds for administrative and operating expenses under the Federal Crop Insurance Act, approved February 16, 1938, as amended, provided that—

no part of this appropriation shall be used for or in connection with the insurance of wheat and cotton crops planted subsequent to July 31, 1943, or for any other purposes except in connection with the liquidation of insurance contracts on wheat and cotton crops planted prior to July 31, 1943.

As a consequence, no crops produced for harvest in 1944 are insured.

#### NEED FOR CROP INSURANCE PROGRAM

In the discussion of the Agricultural Appropriation Act for 1944 on the floor of the House, it was apparent that the substantial losses suffered by the Federal Crop Insurance Corporation was the reason for discontinuing the program. The need or the desirability of crop insurance for American farmers was not then nor has not since been questioned. If farmers are to receive this protection, it must be made available by the Government as it is not available from other insurance sources.

Crop insurance protection gives farmers a more stable income and makes farming a more sound and profitable occupation. Moreover,

it helps farmers as a group to carry their own relief burdens resulting from agricultural catastrophes and thus reduces the burden of heavy public relief when catastrophes occur. The committee feels that the benefits from a widely used and sound system of crop insurance are so great that the unsatisfactory experiences of a short development period should not be a basis for the discontinuance of the program. In view of the widespread public benefits and the long-time importance of this program, the committee has given careful consideration to this problem and to the numerous bills which have been introduced to continue the program.

In its consideration of the various bills proposing amendments to the Federal Crop Insurance Act, the committee conducted extensive hearings and appointed a subcommittee to study the matter and draft the necessary legislation to put crop insurance on a sound financial basis. H. R. 4426 was then prepared and introduced by the chairman and considered by the full committee. In reply to a request for a report on this bill, the War Food Administrator submitted the following report:

APRIL 18, 1944.

HON. HAMPTON P. FULMER,  
Chairman, Committee on Agriculture,  
House of Representatives.

DEAR MR. FULMER: This is in reply to your letter of March 21, 1944, asking for a report on H. R. 4426, a bill to amend the Federal Crop Insurance Act.

This bill provides for insurance on wheat and cotton crops commencing with the 1945 crop and for insurance on field corn in the commercial corn producing area, tobacco, and rice commencing with the 1946 crop. It provides that the insurance of wheat shall continue to be based upon a percentage of the average yield with a provision, however, that the coverage shall be reduced to the extent that abandonment or other use of the insured acreage results in a savings in cost to the producer. Insurance on the commodities other than wheat would be against loss of the investment in the crop. The coverage would not exceed 75 percent of the investment, including an amount for the use of the land. The bill provides that if the premiums on any commodity in any county exceed indemnities in any year, one-half of the excess would be carried as a county balance and that in any year when the total of the premiums plus such balance is less than the approved claims for loss, the claims would be paid on a pro rata reduced basis, but in no event would the payment be reduced by more than 15 percent of the approved claim as a result of proration. Insurance would not be provided in any county unless written applications were filed covering at least 100 farms or one-third of the farms normally producing crops eligible for insurance.

We recommend that insurance for corn, tobacco, and rice not be included in present legislation so that the new features of this bill can be given an opportunity to be tried out first on the two crops formerly insured until such time as their effectiveness has been demonstrated. We also recommend that the insurance for cotton be based on a percentage (not more than 75 percent) of the average yield with a limitation that the coverage shall not exceed the investment in the crop as defined in this bill.

I have, as you know, recently expressed to you my belief that crop insurance is essential to a well balanced agricultural program. Farmers should have some source from which they can purchase protection against crop losses over which they have no control. The need for crop insurance is well recognized and its security value to farmers has been demonstrated. The restoration of crop insurance would stabilize and implement production by enabling farmers who suffer a crop loss to continue in production. The provisions of this bill and the modifications we have suggested are restrictive and designed to place the crop insurance program on a sounder financial basis. Although the protection to farmers provided thereby would not be as great as under the present act, it would, in my judgment, afford substantial protection to them and at the same time would overcome many of the objections to the original program by placing the insurance on a more conservative basis.

4  
policy  
debt  
from  
new  
crops

Subject to the modifications suggested above, we favor the enactment of H. R. 4426.

The Bureau of the Budget advises that it has "no objection to the enactment of the above-mentioned bill if amended to exclude insurance on corn, rice, and tobacco crops."

Sincerely,

MARVIN JONES, *Administrator.*

The committee gave further consideration to the recommendations of the War Food Administrator and to the proposals of others, and the chairman introduced a new bill representing the views of the committee upon all of the recommendations made to it. It is this new bill, H. R. 4911, which is herewith reported.

#### THE CROP INSURANCE RECORD

Wheat has been insured for 5 years and cotton for 2 years. During that time approximately 2,100,000 wheat and cotton farmers have been insured. This represented insurance on about 56,000,000 acres of crops with a guaranteed income of about \$586,000,000. Indemnities for loss of crops were paid to about 588,000 farmers representing a total of about \$80,000,000. This money was paid to farmers, not in addition to their normal income, but as a substitute for the income they had lost as a result of crop failures. Out of the \$80,000,000 paid, farmers themselves contributed \$52,000,000 as premiums. Thus, the Corporation has experienced considerable losses but the committee recognizes that progress has been made in this relatively untried field and believes that with certain desirable changes the Corporation will be able to operate the program over a period of years without loss.

#### PROBLEMS ENCOUNTERED IN CROP INSURANCE

The committee has studied the program in an effort to determine why losses have been incurred and to determine what changes might be desirable to improve the situation. A large part of the loss was sustained as a result of selectivity in insurance. Soil moisture conditions at the time of seeding and even some months in advance have such an important bearing on the prospects for a wheat crop that farmers have often insured when soil moisture was depleted and carried their own risks when moisture was plentiful. The only solution to this problem is a long-term contract. The original act prohibited the use of a term contract during the first 3 years of operation. It has been estimated that had the term contract been in effect during the first 4 years of the wheat insurance program, it would have saved the Corporation approximately 5½ million bushels or reduced the deficit by approximately one-fourth.

The committee has also given consideration to the adequacy of the premium rates charged by the Corporation. It is realized that the solution to the problem of continued losses cannot be found in merely increasing premium rates. Excessive premium rates would tend to discourage participation by those farmers who are the best insurance risks. Apparently, however, the premium rates have been inadequate in some areas. In order to correct this situation, the Corporation had increased its premium rates to such an extent that the general average in 1943 was 11 percent above that in the early years. If these rates had been in effect for the first 4 years, there would have



been a saving of about 5½ million bushels or about one-fourth of the deficit during that period. There will undoubtedly be further increases needed in some areas.

The committee feels that the insurance coverage has been too high where the crop has not been carried through to harvest, thus providing an opportunity for the insured to receive an indemnity greater than the financial loss he has suffered. The payment of the full indemnity in such cases encourages requests for permission to abandon a poor crop which ordinarily would be carried to completion, possibly with good results. A sound insurance plan should encourage the insured to obtain his income from his crop rather than from his insurance contract. The committee feels, therefore, that the insurance coverage should be limited so as to accomplish this result.

To meet these problems and to place the program on a sound financial basis, it appears that a general tightening of the existing legislation is necessary. The bill reported herewith represents the judgment of the committee as to how this should be accomplished.

#### PROVISIONS OF THE BILL

Section 1 of the bill authorizes insurance on wheat, cotton, and flax. It provides that the insurance coverage shall not be greater than 75 percent of the average yield for the insured farm but with the restriction that the coverage shall also not be greater than the investment in the crop. This would be a more conservative type of insurance under which the insured would find it less advantageous to abandon the crop and collect the indemnity than under the former plan. This bill would retain the advantages of the original plan of insurance based on the average yield, but would not permit the insured to make a profit on his insurance. Since the investment may be less than 50 percent of the average yield for the farm, the minimum of 50 percent in the existing law has been removed.

To reduce administrative expenses, a minimum participation requirement has been included. It requires that insurance will not be provided in any county unless written applications are filed covering at least 100 farms, or if not 100 farms, covering at least one-third of the farms normally producing the agricultural commodities authorized to be insured, except that insurance may be provided for producers on farms situated in a local producing area bordering on a county with a crop-insurance program. This would provide an insurance program in counties where there is a demand for insurance and would save the cost of operation in other counties. This provision would also induce farmers who are interested in insurance to help get the required number of applications in the county.

A provision has been included which clarifies the Corporation's authority to limit or refuse insurance in any county or area or on any farm on the basis of the insurance risk involved. Under circumstances where a loss is imminent or it is impossible to determine the risk or where insurance experience has been so unfavorable as to preclude the possibility of a sound insurance program, the Corporation would be authorized to refuse insurance.

Section 1 also provides for trial insurance on other crops. This has been included because of numerous requests for an insurance program on additional crops. The committee feels that while it is attempting

to place the program for wheat, cotton, and flax on a sound financial basis, it should also provide for trial insurance on other crops in limited representative counties. In this manner the Congress will be able to determine whether insurance on other crops is feasible without the expenditure of a large amount of money. The bill, therefore, provides that the Corporation be authorized to provide insurance with respect to corn, tobacco, rice, peanuts, soybeans, sugar beets, citrus fruits, tame hay, and any other agricultural commodity, if actuarial data are determined to be available, in not to exceed 20 representative counties for each commodity for a period of not more than 3 years. Under this provision the Corporation would try out insurance with respect to each commodity in counties representative of the various areas producing the commodity. While insurance is authorized in not more than 20 counties for each commodity, it is not contemplated that insurance will be provided in a greater number of counties than is required to furnish a satisfactory test of the insurance or with respect to any crop unless actuarial data are available to the extent required for a satisfactory trial program. At the end of the trial period, the Corporation would report the result of its operations to the Congress.

Section 2 provides for the establishment of premiums deemed adequate to cover claims for crop losses and to establish within a 3-year period a reasonable reserve against unforeseen losses. Thus, the Corporation would establish premium rates sufficient to build reserves in good crop years to offset heavy or unforeseen losses in bad crop years.

Section 3 of the bill provides that if the total amount of approved claims on any agricultural commodity for any year exceeds the total amount of premiums collected plus the accumulated premium reserves with respect to such commodity, such claims shall be paid on a pro rata reduced basis. An unrestricted proration provision might discourage participation until it is shown that the changes required by this bill would not result in substantially reduced insurance protection. Consequently, it was thought that during the first 3 years this provision is in effect the reduction should not exceed 15 percent. The committee feels that any accumulation of reserves under this bill should be used only for the payment of future indemnities. A provision has also been included which directs the posting of a list of indemnities for losses on farms in each county. In connection with the proration provisions, it is only fair that all farmers in the county should be informed as to the amount paid to other farmers.

Section 4 of the bill eliminates the provision of existing law authorizing additional indemnity in return for additional premium to cover the loss of cottonseed. This has been eliminated because, if the insurance is limited to the investment in the crop, the payment of an additional indemnity for loss of cottonseed would enable the insured to obtain more than his investment in the crop, thus making a profit on his insurance.

Section 5 redefines "agricultural commodity" consistent with the provisions of this bill.

#### CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black



brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Federal Crop Insurance Act, as amended:

SEC. 508. To carry out the purposes of this title the Corporation is authorized and empowered—

【(a) Commencing with the wheat crop planted for harvest in 1939 and with the cotton crop planted for harvest in 1942】 (a) (1) *Commencing with the wheat, cotton, and flax crops planted for harvest in 1945*, to insure, upon such terms and conditions not inconsistent with the provisions of this title as it may determine, producers of 【the agricultural commodity】 *wheat, cotton, and flax* against loss in yield【s】 of the agricultural commodity due to unavoidable causes, including drought, flood, hail, wind, winterkill, lightning, tornado, insect infestation, plant disease, and such other unavoidable causes as may be determined by the Board 【: *Provided, however, That for the first three years of operation under this title contracts of insurance shall not be made for periods longer than one year: Provided further, That the Corporation may, upon such terms and conditions as it shall determine, accept payments from producers in any year to be applied toward premiums on their insurance contracts for the current and next succeeding year.*】

*Such insurance shall cover a percentage to be determined by the Board not in excess of 75 per centum of the recorded or appraised average yield of such commodities on the insured farm for a representative period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just: Provided, however, That such insurance coverage shall not exceed the investment in the crop based on the cost, as determined by the Board, of preparing the land, of labor, seed, planting, cultivation, disease or insect control, harvesting, ginning, hauling to market, fertilizer, irrigation, use of the land, and other applicable costs as determined by the Board. Such insurance shall not cover losses due to the neglect or malfeasance of the producer or to the failure of the producer to reseed to the same crop in areas and under circumstances where it is customary to so reseed 【. Such insurance shall cover not less than 50 or more than 75 per centum, to be determined by the Board, of the recorded or appraised average yield of the agricultural commodity on the insured farm for a representative base period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just. The Board may condition the issuance of such insurance in any county or area upon a minimum amount of participation in a program of crop insurance formulated pursuant to this title.】 , or to the failure of the producer to follow established good farming practices. Insurance shall not be provided in any county unless written applications therefor are filed covering at least one hundred farms or one-third of the farms normally producing the agricultural commodities authorized to be insured, except that insurance may be provided for producers on farms situated in a local producing area bordering on a county with a crop-insurance program. The Board may limit insurance in any county or area, or on any farm, on the basis of the insurance risk involved.*

(a) (2) *For the purpose of determining the most practical plan, terms, and conditions of insurance with respect to corn, tobacco, rice, peanuts, soybeans, sugar beets, citrus fruits, tame hay, and any other agricultural commodity, if sufficient actuarial data are available, as determined by the Board, to insure upon such terms and conditions not inconsistent with the provisions of this title as it may determine, producers of such agricultural commodities against loss due to the unavoidable causes specified in paragraph (1) of this subsection. Insurance provided for any agricultural commodity under this paragraph shall be limited to producers in not to exceed twenty representative counties selected by the Board for a period of not more than three years, and shall be subject to the limitations and conditions provided in paragraph (1) of this subsection: Provided, however, That such insurance coverage may be the same as the insurance coverage provided in paragraph (1) of this subsection or may cover a percentage not in excess of 75 per centum of the investment in the crop, determined in accordance with the provisions of paragraph (1) of this subsection. The Corporation shall report to the Congress the results of its operations as to each commodity under this paragraph.*

(b) To fix adequate premiums for 【such】 insurance 【, payable either in the agricultural commodity or cash equivalent as of the due date thereof, on the basis of the recorded or appraised average crop loss of the agricultural commodity on the insured farm for a representative base period subject to such adjustments as

the Board may prescribe to the end that the premiums fixed for farms in the same area, which are subject to the same conditions, may be fair and just. Such premiums shall be collected at such time or times, in such manner, and upon such security as the Board may determine. **]** *in the agricultural commodity or in cash, at such rates as the Board deems sufficient to cover claims for crop losses on such insurance and to establish within a period of three years a reasonable reserve against unforeseen losses. Such premiums shall be collected at such time or times, or shall be secured in such manner, as the Board may determine.*

(c) To adjust and pay claims for losses **[either]** in the agricultural commodity or in cash **[equivalent]** under rules prescribed by the Board **[.]** : *Provided, however, That if the total amount of approved claims for losses on any agricultural commodity for any year exceeds the total amount of premiums collected plus the accumulated premium reserves of the Corporation with respect to such commodity, such claims shall be paid on a pro rata reduced basis but for the first three crop years with respect to which insurance has been in effect on any crop after the enactment of this Act the payment shall not be reduced by more than 15 per centum of the amount of the approved claim. The Corporation shall provide for the posting annually in each county at the county courthouse of a list of indemnities paid for losses on farms in such county. In the event that any claim for indemnity under the provisions of this title is denied by the Corporation, an action on such claim may be brought against the Corporation in the United States district court **[of the United States in and for the district]** , or in any court of record of the State having general jurisdiction, sitting in the district or county in which the insured farm is located, and **[exclusive]** jurisdiction is hereby conferred upon such district courts to determine such controversies without regard to the amount in controversy: *Provided, That no suit on such claim shall be allowed under this section unless the same shall have been brought within one year after the date when notice of denial of the claim is mailed to and received by the claimant.**

**[**(e) In connection with insurance upon yields of cotton, to include provision for additional premium and indemnity in terms of lint cotton to cover loss of cottonseed, such additional premium and indemnity to be determined on the basis of the average relationship between returns from cottonseed and returns from lint cotton for the same period of years as that used for computing yields and premium rates.**]**

SEC. 518. "Agricultural commodity," as used in this **[Act, means wheat or cotton, or both,]** *title, means wheat, cotton, flax, corn, tobacco, rice, peanuts, soybeans, sugar beets, citrus fruits, tame hay, or any other agricultural commodity determined by the Board pursuant to subsection (a) (2) of section 508 of this title, or any one or more of such commodities, as the context may indicate.*





Union Calendar No. 537

78TH CONGRESS  
2D SESSION

**H. R. 4911**

[Report No. 1592]

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IN THE HOUSE OF REPRESENTATIVES

JUNE 1, 1944

Mr. FULMER introduced the following bill; which was referred to the Committee on Agriculture

JUNE 2, 1944

Committed to the Committee of the Whole House on the state of the Union  
and ordered to be printed

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**A BILL**

To amend the Federal Crop Insurance Act.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That subsection (a) of section 508 of the Federal Crop  
4       Insurance Act, as amended, is amended to read as follows:  
5       “(a) (1) Commencing with the wheat, cotton, and  
6       flax crops planted for harvest in 1945, to insure, upon such  
7       terms and conditions not inconsistent with the provisions  
8       of this title as it may determine, producers of wheat, cotton,  
9       and flax against loss in yield of such crops due to unavoidable  
10      causes, including drought, flood, hail, wind, frost, winter-

1 kill, lightning, hurricane, tornado, insect infestation, plant  
2 disease, and such other unavoidable causes as may be de-  
3 termined by the Board. Such insurance shall cover a per-  
4 centage to be determined by the Board not in excess of  
5 75 per centum of the recorded or appraised average yield  
6 of such commodities on the insured farm for a representative  
7 period subject to such adjustments as the Board may pre-  
8 scribe to the end that the average yields fixed for farms  
9 in the same area, which are subject to the same conditions,  
10 may be fair and just: *Provided, however,* That such insurance  
11 coverage shall not exceed the investment in the crop based  
12 on the cost, as determined by the Board, of preparing the  
13 land, of labor, seed, planting, cultivation, disease or insect  
14 control, harvesting, ginning, hauling to market, fertilizer,  
15 irrigation, use of the land, and other applicable costs as  
16 determined by the Board. Such insurance shall not cover  
17 losses due to the neglect or malfeasance of the producer, or  
18 to the failure of the producer to reseed to the same crop in  
19 areas and under circumstances where it is customary to so  
20 reseed, or to the failure of the producer to follow established  
21 good farming practices. Insurance shall not be provided  
22 in any county unless written applications therefor are filed  
23 covering at least one hundred farms or one-third of the farms  
24 normally producing the agricultural commodities authorized  
25 to be insured, except that insurance may be provided for

1 producers on farms situated in a local producing area border-  
2 ing on a county with a crop-insurance program. The Board  
3 may limit insurance in any county or area, or on any farm,  
4 on the basis of the insurance risk involved.

5 “(2) For the purpose of determining the most practical  
6 plan, terms, and conditions of insurance with respect to corn,  
7 tobacco, rice, peanuts, soybeans, sugar beets, citrus fruits,  
8 tame hay, and any other agricultural commodity, if sufficient  
9 actuarial data are available, as determined by the Board, to  
10 insure upon such terms and conditions not inconsistent with  
11 the provisions of this title as it may determine, producers of  
12 such agricultural commodities against loss due to the un-  
13 avoidable causes specified in paragraph (1) of this subsec-  
14 tion. Insurance provided for any agricultural commodity  
15 under this paragraph shall be limited to producers in not to  
16 exceed twenty representative counties selected by the Board  
17 for a period of not more than three years, and shall be subject  
18 to the limitations and conditions provided in paragraph (1)  
19 of this subsection: *Provided, however,* That such insurance  
20 coverage may be the same as the insurance coverage provided  
21 in paragraph (1) of this subsection or may cover a per-  
22 centage not in excess of 75 per centum of the investment in  
23 the crop, determined in accordance with the provisions of  
24 paragraph (1) of this subsection. The Corporation shall



1 report to the Congress the results of its operations as to each  
2 commodity under this paragraph.”

3 SEC. 2. That subsection (b) of section 508 of the Fed-  
4 eral Crop Insurance Act, as amended, is amended to read as  
5 follows:

6 “(b) To fix adequate premiums for insurance in the  
7 agricultural commodity or in cash, at such rates as the Board  
8 deems sufficient to cover claims for crop losses on such insur-  
9 ance and to establish within a period of three years a reason-  
10 able reserve against unforeseen losses. Such premiums shall  
11 be collected at such time or times, or shall be secured in  
12 such manner, as the Board may determine.”

13 SEC. 3. That subsection (c) of section 508 of the  
14 Federal Crop Insurance Act, as amended, is amended to  
15 read as follows:

16 “(c) To adjust and pay claims for losses in the agricul-  
17 tural commodity or in cash, under rules prescribed by the  
18 Board: *Provided, however,* That if the total amount of  
19 approved claims for losses on any agricultural commodity for  
20 any year exceeds the total amount of premiums collected  
21 plus the accumulated premium reserves of the Corporation  
22 with respect to such commodity, such claims shall be paid  
23 on a pro rata reduced basis, but for the first three crop years  
24 with respect to which insurance has been in effect on any  
25 crop after the enactment of this Act the payment shall not

1 be reduced by more than 15 per centum of the amount of  
2 the approved claim. The Corporation shall provide for the  
3 posting annually in each county at the county courthouse of a  
4 list of indemnities paid for losses on farms in such county. In  
5 the event that any claim for indemnity under the provisions  
6 of this title is denied by the Corporation, an action on such  
7 claim may be brought against the Corporation in the United  
8 States district court, or in any court of record of the State  
9 having general jurisdiction, sitting in the district or county  
10 in which the insured farm is located, and jurisdiction is hereby  
11 conferred upon such district courts to determine such contro-  
12 versies without regard to the amount in controversy: *Pro-*  
13 *vided*, That no suit on such claim shall be allowed under this  
14 section unless the same shall have been brought within  
15 one year after the date when notice of denial of the claim  
16 is mailed to and received by the claimant.”

17 SEC. 4. That subsection (e) of section 508 of the  
18 Federal Crop Insurance Act, as amended, is hereby repealed.

19 SEC. 5. That section 518 of the Federal Crop Insurance  
20 Act, as amended, is amended to read as follows:

21 “SEC. 518. ‘Agricultural commodity’, as used in this  
22 title, means wheat, cotton, flax, corn, tobacco, rice, peanuts,  
23 soybeans, sugar beets, citrus fruits, tame hay, or any other  
24 agricultural commodity determined by the Board pursuant

1 to subsection (a) (2) of section 508 of this title, or any  
2 one or more of such commodities, as the context may  
3 indicate.”



78<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

**H. R. 4911**

[Report No. 1592]

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# **A BILL**

To amend the Federal Crop Insurance Act.

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By Mr. FULMER

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JUNE 1, 1944

Referred to the Committee on Agriculture

JUNE 2, 1944

Committed to the Committee of the Whole House on  
the state of the Union and ordered to be printed







DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE  
(Issued November 22, 1944, for actions of Tuesday, November 21, 1944)

(For staff of the Department only)

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HOUSE

1. CROP INSURANCE. Began debate on H. R. 4911, to amend the Federal Crop Insurance Act (pp. 8400-21). Rep. Cox, Ga., stated that "the Committee on Agriculture had endeavored to cure defects of previous crop insurance legislation. They have undertaken to make the operation self-sustaining, and make farming a more stable business." (p. 8400). Rep. Tarver, Ga., spoke against the legislation declaring the plan to be "futile in character" (pp. 8400-3). Rep. Murray, Wis., also, criticized the bill (pp. 8404-5). Rep. Flannagan, Va., inserted WFA's report on the bill (p. 8407).

Agreed to the following amendments by:

- Rep. Andresen, Minn., to extend insurance to oats, barley, and rye, if sufficient actuarial data are available (p. 8418).
- Rep. Hall, N. Y., to include the insuring of all fruits, if sufficient actuarial data are available (p. 8418).
- Rep. Brown, Ga., to reduce to 50 the number of farms which must file applications in any county before insurance can be provided (p. 8418).
- Rep. Crawford, Mich., to include the insuring of dry beans, if sufficient actuarial data are available (p. 8418).
- Rep. Lemke, N. Dak., to restrict insurance payments for loss of crops only when the crops are growing, unharvested, unthreshed, or unpacked (p. 8418).
- Rep. Cole, N. Y., to include the insuring of potatoes and other vegetables, if sufficient actuarial data are available (p. 8418).

Rejected Rep. Tarver's, Ga., amendment to strike out the enacting clause (pp. 8420-1). During the discussion of this amendment Rep. Tarver stated that the purpose of the bill "is not so much to work out a sound program of crop insurance for the benefit of the farmers, but that it is to devise some ways and means by which this useless Federal Bureau may be continued" (p. 8420).

2. COMMITTEE ASSIGNMENTS. Rep. Brehm, Ohio, resigned from the Mines and Mining Committee and the Public Lands Committee (p. 8376).
3. ROAD AUTHORIZATIONS. The Rules Committee reported a resolution for consideration of H. R. 4915, the road-authorization bill (pp. 8400, 8423).
4. APPROPRIATIONS; STATISTICS; CENSUS OF AGRICULTURE. Received (Nov. 20) from the President supplemental appropriation estimates for the Commerce Department, for expanding a monthly survey of the labor force in connection with program



of statistics for reconversion and \$5,500,000 for the Census of Agriculture (H. Doc. 774). To Appropriations Committee.

SENATE

5. FLOOD CONTROL. Began debate on H. R. 4485, the Whittington flood-control bill (pp. 8344-72).

Agreed to the committee amendments except for the following which were held over: Providing for the disposition of surplus electric energy by the Secretary of the Interior as modified by Sen. Bailey's (N. C.) amendment so as to provide for the complete coordination of such power with other power developments within a given area (pp. 8348-50); providing that the Secretary of the Interior may construct and operate such additional irrigation works as he deems necessary in connection projects which the Secretary of War determines may be utilized for irrigation purposes (pp. 8350-1); providing for the establishment of the Missouri Valley Commission (p. 8354); and authorizing the Chief of Engineers to make examinations of any privately-owned or operated dam construction across navigable waters (pp. 8355-6).

Agreed to an amendment by Sen. Overton, La., to provide for reimbursement to local authorities for actual cost of lands, rights-of-way, and flowage easements required for the Mississippi River levee set-backs (p. 8356).

Sen. Murray, Mont., spoke opposing the bill, stating, "I believe that the bill ... does not adequately protect the rights and interests of the upper valley States in the Mississippi River Basin" (p. 8344).

Agreed to Sen. Bailey's (N. C.) resolution to discharge the Agriculture and Forestry Committee from further consideration of S. 2100, providing for the development of navigation, irrigation, and flood control on the Missouri River, and that the bill be referred to the Commerce Committee (p. 8343).

The resolution providing for the discharge of the Agriculture and Forestry Committee from further consideration of S. 2089 (similar to S. 2100) and referring the bill to the Commerce Committee, was laid on the table following Sen. Bailey's statement that he and Sen. Murray plan to discuss the situation before Sen. Murray introduces the bill in the 79th Congress (p. 8343).

Sen. O'Mahoney, Wyo., received consent to have the report prepared at the Army and Bureau of Reclamation engineers' conference in Omaha printed as a supplement to S. Doc. 191 (p. 8343).

6. FARM PROGRAM. Sen. Aiken, Vt., submitted resolutions of the Vt. State Grange favoring a long-time soil-building, fertilizer, and reforestation program; opposing the construction of the Wilder and West River Dams, Vt.; and favoring preservation of the sugar-maple forests through an educational program. To Agriculture and Forestry and Commerce Committees. (p. 8337.)

7. TRANSPORTATION; FREIGHT RATES. Sen. Maloney, Conn., inserted a Hartford C of C letter favoring H. R. 2720, which "would so clear the present Interstate Commerce Act as to preserve for shippers, consignees, and carriers the conference method of rate making, which for many years has not only served but proved satisfactory to all parties of interest" (pp. 8337-8).

8. WAGE STABILIZATION. Received the National War Labor Board's Aug. report on stabilization of wages and salaries (p. 8336).

9. NOMINATIONS. Received from the President nominations as follows (p. 8372):

Surplus Property Board: Robert A. Hurley, Conn.; and Lt. Col. Edward Heller, Calif.

Office of War Mobilization and Reconversion advisory board members, including Edward A. O'Neal, Ala., James G. Patton, Colo., and Albert S. Goss, Wash.,



## CITY NATIONAL BANK BUILDING CO.

Mr. SPRINGER. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 1453) for the relief of the City National Bank Building Co., which was objected to on the call of the Private Calendar.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

The Clerk read the bill, as follows:

*Be it enacted, etc.,* That the Commissioner of Internal Revenue is authorized and directed to consider and act upon the claim filed on or about September 27, 1940, by the City National Bank Building Co., of Omaha, Nebr., for a refund of deficiencies in income tax and interest paid by the said company on or about September 16, 1937, with respect to the fiscal years ended October 31, 1933, to October 31, 1936, inclusive, and to make any refund found due the said company, in the same manner and to the same extent as if such claim had been filed within 2 years from the time such income tax and interest were paid and had not heretofore been disallowed; the Supreme Court of the United States having rendered a decision on December 4, 1939, in the case of *Helvering v. F. and R. Lazarus & Co.*, which, in effect, overruled the conclusions upon the basis of which such deficiencies were assessed.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

## IDA M. RUTHERFORD

Mr. BARDEN. Mr. Speaker, I ask unanimous consent that the proceedings by which the bill (H. R. 2827) for the relief of Ida M. Rutherford was passed be vacated, and that the bill be considered at this time, in order that I may offer an amendment.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The Clerk read the bill, as follows:

*Be it enacted, etc.,* That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Ida M. Rutherford, of West Bloomfield, N. Y., the sum of \$5,000, in full settlement of all claims against the United States for compensation for personal injuries sustained by her and for reimbursement of medical, hospital, and other expenses incurred by her as the result of her being struck and knocked down by Israel Zitron, an employee of the Ordnance Department of the United States, on a public sidewalk on Franklin Street, in the city of Rochester, N. Y., on December 28, 1942: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

With the following committee amendment:

Page 1, line 6, strike out "\$5,000" and insert "\$4,000."

The committee amendment was agreed to.

Mr. BARDEN. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BARDEN: On page 1, line 5, after "to", insert "the estate of."

The amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

The title was amended so as to read: "A bill for the relief of the estate of Ida M. Rutherford."

## ELEANOR PARKINSON

Mr. SPRINGER. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H. R. 3302) for the relief of Eleanor Parkinson, which was objected to on the call of the Private Calendar.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

The Clerk read the bill, as follows:

*Be it enacted, etc.,* That the Secretary of the Treasury be, and is hereby, authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Eleanor Parkinson, of Mount Carmel, Ill., the sum of \$5,000, for damages to her property, which was caused by the Wabash River overflowing, due to the Brevoort levee maintained by the United States Government in the State of Indiana: *Provided*, That no part of amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

With the following committee amendment:

Page 1, line 6, strike out "\$5,000" and insert "\$4,637.50."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

## M. SENDERS &amp; CO.

Mr. MOTT. Mr. Speaker, I ask unanimous consent to return to Calendar No. 656, H. R. 3815, for the relief of M. Senders & Co., vacate the proceedings by which the bill was passed and reconsider the same.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

There was no objection.

The SPEAKER. The Clerk will report the bill.

The Clerk read as follows:

*Be it enacted, etc.,* That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to M. Senders & Co., of Albany, Oreg., the sum of \$5,000, in full satisfaction of its claim against the United States for compensation for the loss of property and business incurred as a result

of the acquisition by the United States for military purposes of certain land at Wells, Oreg., which had theretofore been leased by the said M. Senders & Co., and upon which the said M. Senders & Co. had erected and maintained a warehouse: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

With the following committee amendments:

Page 1, line 6, strike out "\$5,000" and insert "\$3,000."

The SPEAKER. The question is on agreeing to the committee amendment.

The committee amendment was rejected.

The SPEAKER. The Clerk will report the other committee amendment.

The Clerk read as follows:

On page 1, line 6, strike out the words "its claim" and insert the words "all claims."

The amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

## CALENDAR WEDNESDAY BUSINESS

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that the business in order on tomorrow, Calendar Wednesday, be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

## EXTENSION OF REMARKS

Mr. MASON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. JUDD. Mr. Speaker, I ask unanimous consent to revise and extend my remarks made here some months ago, and include some figures therewith.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

Mr. RANDOLPH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therewith, a brief editorial.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

[The matter referred to appears in the Appendix.]



## FEDERAL AID ROAD ACT

Mr. COX, from the Committee on Rules, submitted the following privileged resolution (H. Res. 654, Rept. No. 1914), which was referred to the House Calendar and ordered printed:

*Resolved*, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 4915) to amend and supplement the Federal Aid Road Act, approved July 11, 1916, as amended and supplemented, to authorize appropriations for the post-war construction of highways and bridges, to eliminate hazards at railroad grade crossings, to provide for the immediate preparation of plans and acquisition of rights-of-way, and for other purposes. That after debate, which shall be confined to the bill and shall continue not to exceed 3 hours, to be equally divided and controlled by the chairman and the ranking minority member of the Committee on Roads, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the same to the House with such amendments as shall have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

## FEDERAL CROP INSURANCE ACT

Mr. COX. Mr. Speaker, I call up House Resolution 605 and ask for its immediate consideration.

The Clerk read as follows:

*Resolved*, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 4911) to amend the Federal Crop Insurance Act. That after debate, which shall be confined to the bill and shall continue not to exceed 2 hours to be equally divided and controlled by the chairman and the ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the same to the House with such amendments as shall have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

## CALL OF THE HOUSE

Mr. TARVER. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently no quorum is present.

Mr. McCORMACK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 115]

|                 |                |               |
|-----------------|----------------|---------------|
| Baldwin, Md.    | Burgin         | Cravens       |
| Barry           | Busbey         | Crosser       |
| Bates, Mass.    | Butler         | Cunningham    |
| Bender          | Byrne          | Curley        |
| Bloom           | Camp           | Curtis        |
| Bolton          | Cannon, Fla.   | Daughton, Va. |
| Boren           | Capozzoli      | Dawson        |
| Boykin          | Carlson, Kans. | Delaney       |
| Bradley, Mich.  | Celler         | Dickstein     |
| Bradley, Pa.    | Chapman        | Dies          |
| Buckley         | Chenoweth      | Dirksen       |
| Fulwinkle       | Clark          | Domengeaux    |
| Burchill, N. Y. | Coffee         | Douglas       |

|               |                  |                  |
|---------------|------------------|------------------|
| Drewry        | Johnson, Ind.    | Pracht,          |
| Eberharter    | Johnson,         | C. Frederick     |
| Elmer         | Lyndon B.        | Price            |
| Elston, Ohio  | Jonkman          | Rees, Kans.      |
| Engel, Mich.  | Kearney          | Rizley           |
| Feighan       | Kee              | Rolph            |
| Fellows       | Keefe            | Rowan            |
| Fernandez     | Kelley           | Sabath           |
| Fish          | Kennedy          | Satterfield      |
| Ford          | Kilburn          | Scanlon          |
| Fuller        | King             | Schiffner        |
| Fulmer        | Kirwan           | Scott            |
| Furlong       | Klein            | Sheridan         |
| Gale          | Knutson          | Short            |
| Gallagher     | LaFollette       | Slaughter        |
| Gamble        | Lambertson       | Snyder           |
| Gavin         | Landis           | Somers, N. Y.    |
| Gibson        | Lea              | Stanley          |
| Gilchrist     | LeCompte         | Stearns, N. H.   |
| Gillie        | Lesinski         | Stewart          |
| Granger       | Ludlow           | Stigler          |
| Grant, Ala.   | Lynch            | Sumner, Ill.     |
| Grant, Ind.   | McGregor         | Tolan            |
| Green         | McKenzie         | Towe             |
| Hall,         | McLean           | Treadway         |
| Leonard W.    | Magnuson         | Vincent, Ky.     |
| Hare          | Maloney          | Voorhis, Calif.  |
| Hartley       | Mansfield, Mont. | Vorys, Ohio      |
| Heffernan     | Marcantonio      | Ward             |
| Heldinger     | May              | Weaver           |
| Hendricks     | Monroney         | Weiss            |
| Hinshaw       | Morrison, N. C.  | Wene             |
| Hoeven        | Mruk             | Whelchel, Ga.    |
| Holfield      | Mundt            | White            |
| Holmes, Mass. | Murdock          | Wickersham       |
| Holmes, Wash. | Murray, Tenn.    | Winter           |
| Howell        | Myers            | Wolverton, N. J. |
| Jackson       | O'Brien, Ill.    | Woodrum, Va.     |
| Jarman        | O'Connor         |                  |
| Jennings      | OKonski          |                  |
| Johnson,      | O'Neal           |                  |
| Calvin D.     | Pfeifer          |                  |

The SPEAKER. On this roll call, 269 Members have answered to their names, a quorum is present.

By unanimous consent, further proceedings under the call were dispensed with.

Mr. COX. Mr. Speaker, this is an open rule on House Resolution 4911, commonly known as the crop insurance bill. As I say, it is an open rule which the Committee on Rules respectfully submits for the consideration of the House. If adopted, consideration of the bill will be under the general rules of the House. The time fixed for general debate is 2 hours. Mr. Speaker, it is not my purpose to discuss the merits of the bill. I do, however, wish to make the observation that careful examination of the bill and the report that accompanied it, convinces me that the Committee on Agriculture endeavored to cure defects of previous crop insurance legislation. They have undertaken to make the operation self-sustaining, and make farming a more stable business.

Mr. TARVER. Mr. Speaker, will the gentleman yield?

Mr. COX. I yield to my colleague, of course.

Mr. TARVER. The rule provides for 2 hours' general debate, one-half the time to be controlled by the chairman of the committee and one-half by the ranking minority member of the committee. I am advised that both of those gentlemen are supporting the bill. Therefore, there appears to be little opportunity for those like myself, who are opposed to the bill, to have adequate time for its discussion. Would the gentleman be averse to an amendment or would he yield for the purpose of having an amendment offered which would provide an additional hour for general debate, with the understanding that that hour should be accorded the opponents of the bill?

Mr. COX. I am sorry but I could not yield to the gentleman for the purpose of offering an amendment to the rule.

Mr. TARVER. The gentleman knows, of course, that the House has been in session for a week and has done no business at all. It does seem to me that with a controversial matter like this before the House we could take an additional hour when those who are opposed to the bill want to be heard.

Mr. COX. Let me say to the gentleman that the Committee on Rules never undertakes to impose a condition upon any legislative committee with respect to the division of time. I will say, however, in all fairness, I think the committee should yield to the gentleman reasonable time to present his views, which are contrary to those of the committee sponsoring the bill. It is my experience that committees usually strive to make fair division of time.

However, if the gentleman feels any uncertainty as to whether he should be able to obtain reasonable time for the presentation of his views I will be very glad to yield to him 20 minutes on the rule, to speak to the merits of the bill.

Mr. TARVER. I may say to the gentleman that the chairman of the Committee on Agriculture has very kindly offered me some time. I understand the ranking minority member will also yield me some time. While that takes care of me, I think there are a number of other Members who desire to be heard in opposition to the bill, who will not have an opportunity to be heard.

Mr. COX. In an endeavor to accommodate the desire of those opposing the adoption of the bill, if there is any Member on the floor wishing time I will be glad to yield now 20 minutes to speak to the merits of the bill.

Mr. FISH. Mr. Speaker, will the gentleman yield to me?

Mr. COX. I yield to the gentleman from New York.

Mr. FISH. I will be glad to join with the distinguished gentleman from Georgia, and yield from this side 15 minutes under the rule to anyone in opposition to the bill, although I am in favor of the bill, so that we will have no difficulty about the minority being heard.

Mr. TARVER. Will the gentleman yield further to me?

Mr. COX. I yield to the gentleman.

Mr. TARVER. In view of the remarks made by the gentleman from Georgia [Mr. Cox] and the gentleman from New York [Mr. Fish] I shall avail myself of the offer made and shall take my time on the rule, so as to leave the chairman of the committee and the ranking minority member more time which they may yield under general debate, to other Members who may desire time in Committee of the Whole.

Mr. COX. I take it that the gentleman is not opposed to the adoption of the rule?

Mr. TARVER. Oh! I will not undertake to oppose the adoption of the rule.

Mr. COX. I gladly yield 20 minutes to the gentleman from Georgia, to speak on the bill.

Mr. TARVER. Mr. Speaker, I had intended to address the Committee of the



Whole in the time which the chairman and ranking minority member of the Committee on Agriculture had very kindly offered to yield to me for that purpose, but in view of the offer made by the gentleman from Georgia [Mr. Cox] and the gentleman from New York [Mr. Fish], I think it best to take the time which they have offered me on the consideration of the rule, in order that more time may be available to other members of the Committee of the Whole who will discuss the merits of this very controversial proposition.

It is unusual, of course, that a Member of the House who is opposed to the enactment of proposed legislation should be heard in opposition before anyone has undertaken to present the merits of the legislative proposal; yet, under the unusual circumstances presented by the immediate situation, I feel it is entirely proper that I should undertake this course.

Mr. Speaker, I regret very much my inability to support the pending bill. I believe those who are familiar with my record during my service in this body will realize that I have never failed to support legislation which in my judgment carried with it a reasonable hope of benefit to our farming population. However, I do not conceive it to be to the interest of the farmers of the United States that Congress should enact legislation which is ostensibly intended for their benefit but which from past experience will neither carry to them any substantial aid, nor, in fact, appeal to them as being likely to do so.

We had the wheat-insurance program for 5 years and the cotton-insurance program for 2 years. These programs were abandoned by this House in the Agricultural Appropriation Act of 1944 and the abandonment was continued in the Agricultural Appropriation Act of 1945. They were not abandoned without very careful and painstaking surveys upon the basis of lengthy hearings concerning the results which had been accomplished. Much as it would be desirable to have a sound crop-insurance program, the plan which was undertaken was thoroughly and irrefutably demonstrated to have been futile in character, carrying with it tremendous losses to the Government and lack of substantial benefit to the farmers themselves.

As chairman of the Subcommittee on Agricultural Appropriations, it was my duty to present to the House the agricultural appropriation bills in which the abandonment of the program was projected and continued. In doing so, I attempted to review thoroughly the facts upon which your Subcommittee on Agricultural Appropriations based its conclusions. However, it is not necessary to review these facts in detail before this House which has on a number of occasions in connection with both of these bills voted, on roll call and otherwise, by overwhelming majorities, in favor of the abandonment of the program. Since this House adopted this position, nothing has occurred which could possibly have influenced its membership in arriving at a contrary conclusion, unless the inclusion in the national party platforms of

declarations in favor of Federal crop insurance could be so interpreted. The declarations in these platforms, however, were not an endorsement of this particular pending legislation, nor could they possibly be construed to have been in favor of enactment of legislation increasing the cost of the program to farmers of the United States and decreasing the benefits to be received by them under the program. That, in substance, is the gist of the pending proposal. It is inconceivable that it should be reasonably believed by any Member of the House that a program which attracted the interest of less than 10 percent of the cotton farmers of the United States and less than one-third of the wheat farmers could be made more satisfactory to them by decreasing the benefits which they would receive from it and increasing the cost of their participation; and yet that is substantially what is here proposed.

You are all familiar with the unfortunate history of the Federal Crop Insurance Corporation with its expenditures during its brief period of active operation of \$31,963,072 for administrative expenses during the course of which expenditures it carried benefits to the farmers of the United States, over and above the premiums paid by them, of \$31,149,974. The program, therefore, cost the Government for the brief period \$63,113,046 in carrying benefits to the farmers of the United States of substantially less than one-half of that amount. It is to be noted with interest that those in charge of the administration of the program received more from the Federal Treasury than did the farmers. It is, I think, but fair to say that they have far more interest in the continuance of this program, and in the continuance of their jobs, than the farmers of the country have in the continuance of the crop insurance program as originally projected; certainly more than they would have in the continuance of a modified program increasing the costs and decreasing the benefits.

It has, however, been apparent during the course of the history of the pending bill that those interested in the maintenance of the existing administrative machinery, and jobs, have been willing to accept almost any suggested amendments rather than to have the program discontinued. In other words, it does not now seem to be substantially a question as to what is best for American agriculture, but rather a question of what it is necessary to have in the bill in order to secure congressional approval of the maintenance of the existing administrative machinery and of the employment of those who have been engaged in carrying on this work. This is perhaps a harsh thing to say. I say it reluctantly because I have the kindest feelings for those who are in charge of the administration of Federal crop insurance, and yet when I examine the pending bill and see how restrictions are proposed therein which can only curtail the benefits of those participating in the program and at the same time maintain and perhaps enlarge the administrative machinery, I can arrive at no other conclusion.

It is noted that in the bill it is proposed first to limit the amount of the insurance coverage, not only to 75 percent of the crop, which had been the previous restriction, but to the amount invested in the crop based on the cost of "preparing the land, or labor; seed; planting, cultivation; disease or insect control; harvesting; ginning, hauling to market; fertilizing; irrigation; use of land, and other applicable costs as determined by the board." There is, so far as I know, and can be secured, no reliable data upon the effect of such a restriction, or as to whether it would, upon the average, result in reduction in losses which might otherwise be approved for 75 percent of the crop to less than that percent. However, it is manifestly intended to bring about a reduction in benefits to farmers.

Further, it is proposed that the "insurance shall not cover losses due to neglect or malfeasance of the producer or of the failure of the producer to reseed with the same crop in areas and under circumstances where it is customary to so reseed or of the failure of the producer to follow established good farming practices." This opens a wide field of administrative discretion as to what constitutes neglect or malfeasance, failure to follow customary practices as to reseed same crop, or to follow established good farming practices. It is such a broad field for the exercise of administrative discretion that innumerable controversies might logically be expected to result from this provision. Here, too, it is sought to further restrict benefits which in their original form were not sufficiently attractive to the wheat and cotton farmers to cause any excepting minorities of them to participate in the program. Still further it is provided that if the total amount of approved claims exceeds the total amount of premiums, such claims shall be paid on a pro rata reduced basis, "but for the first 3 crop years with respect to which insurance has been in effect on any crop after the enactment of this act, the payment shall be reduced by not more than 15 percent of the amount of the approved claim."

This provision faces in two directions.

First. It encourages the Members of Congress who believe in protecting the Federal Treasury to believe the program is self-sustaining.

Second. It assures the farmer that it will not have to be self-sustaining, but that in any event he will receive insurance aggregating 63.75 percent of an average crop. Here again the program is made less attractive to the farmer and at the same time no real assurance is given that the program would be self-sustaining, since the past history of the program demonstrates clearly that 63.75 percent of the average crop cannot be paid from the premiums charged and collected.

It is insisted, of course, that administrative expense will be reduced because provision is made that the program will not be installed in any county unless written applications therefor are filed "covering at least 100 farms, or one-third of the farms normally producing the agricultural commodities authorized to



be insured." This might carry with it some hope of reduction in administrative expenses except for the evident purpose on the part of the administrative agency to save the jobs of those employed in the program, which is manifestly the major objective, and which objective, I think, we may rest assured will be carried out if this bill is passed, and except for two further facts. These facts are:

First. The exception "that insurance may be provided for producers on farms situated in a local producing area bordering on a county with the crop-insurance program."

The effect of this exception seems to me to be that if county A has a program, county B, which adjoins it, where the required number of applications have not been submitted, may also have a program, and county C, which adjoins county B, may then have a program also, and so on, ad infinitum. Perhaps this is not a reasonable construction, but it is at least one which could be made, and I do not expect any construction by the administrative authorities which would restrict the geographical area covered by the program.

Second. The provision authorizing the institution of insurance programs with respect to any agricultural commodity in 20 representative counties in the United States will undoubtedly vastly increase administrative costs. Besides this objection, I do not believe that producers of the various agricultural products will be satisfied to have only 20 counties picked out in which to carry on the program for their particular commodity for a period of 3 years if crop insurance for them is a good thing, and if it is not a good thing the wasteful expenditure of public funds, which may be anticipated without benefit to the farmers involved, is almost unlimited.

These are some of the objections which I have had to the pending bill. I was one of those who voted for the initiation of the crop-insurance program without much faith as to its soundness but with the feeling that a sound crop-insurance program would be of tremendous benefit to the agriculture of the country and that an effort should be made to work out such a program. In actual administration it has been thoroughly proven to be unsound, not to be attractive to the vast majority of farmers concerned, and it is now proposed to remedy the situation by increasing costs to the farmers and decreasing benefits, in which event it is only reasonable to suppose that participation will be smaller than ever before and proportionate administrative cost to the Government will vastly increase. I cannot be a party to handing this sort of lemon to the American farmer. In my judgment, those who do will not find 2 years from now that he has been grateful for the attempt to hoodwink him for political purposes. The proof of the pudding is in the eating. Go ahead and give this particular pudding you have cooked up to the American farmer and you will find out in 2 years whether he likes its taste. And remember in doing it that you are voting to reestablish a program which you have by your votes in this House several

times disapproved as unsound without any basis for your change in position except declarations of general nature inserted in party platforms which had no reference to this particular bill. Certainly, if these platforms had declared in favor of a crop-insurance program which would reduce benefits and increase costs they would not have attracted many farmer votes. If you do this thing, you will have reversed without adequate reason your previous positions on numerous votes taken in this House. The Seventy-eighth Congress, which abolished the crop-insurance program as unsound, will have reestablished it in a less attractive form.

The King of France with twice 10,000 men Marched up the hill and then marched down again.

Surely, if we have meant anything by our pledges to the American people of economy in the administration of the civil affairs of the Government, against the maintenance of useless bureaus, and in favor of reducing to the greatest extent possible the tax burden of the American people we will not now recreate this useless bureau for further Government extravagance without compensatory benefits to the farmers of the country whom it is ostensibly proposed to help. There may be some areas in the United States where droughts and floods frequently totally destroy crops, where frosts frequently destroy the vegetable and citrus crops, in which live farmers who would like to be protected from these dangers even to the extent of 63.75 percent of an average crop upon the payment of comparatively small premiums to the Government; but other farmers living in areas where less than 63.75 percent of a crop is an exception which occurs at only widely separated intervals will not in my judgment be willing to join in this program and help pay the losses of those who farm in less favorable areas. Certainly, they have not been willing to do so during the 5 years in which this program was in effect and I have no reason to believe that their participation in the program will be increased by decreasing its benefits and increasing its costs. I think, therefore, that the title of this bill should be amended so as to read:

A bill for the relief of the Federal Crop Insurance Corporation and its numerous employees and to impress the farmers of the United States with the idea that their Representatives in Congress have done something for them when in fact they have not, and for other purposes.

Mr. COX. Mr. Speaker, will the gentleman yield?

Mr. TARVER. I yield to the gentleman from Georgia.

Mr. COX. I wonder if it is the view of the gentleman that no kind of crop insurance can be made sound and desirable.

Mr. TARVER. I hesitate to go to the extent of so stating. I should like very much to see a sound crop insurance program worked out, but I am convinced of one thing, that neither the program we have had nor the one which is provided for in the pending bill is sound. Time—and I think sufficient time has elapsed to

justify this statement—has shown that the program as carried out under existing law is unsound. The effect of this amendment is to evolve a far worse program from the standpoint of the farmer, in whose welfare I am primarily interested, than is provided under the existing law. If the Congress desires to reinstitute the crop-insurance program, it would do far better to make an appropriation for that purpose under the existing law, which it has so many times declined to do, rather than to amend the law and decrease the benefits to the farmer and increase the cost to the farmer, and then expect him to go into the program, when heretofore he has refused to do so.

Mr. COX. Is the gentleman opposed to the Government's continuing in the field of crop insurance?

The SPEAKER pro tempore. The time of the gentleman from Georgia has expired.

Mr. MICHENER. Mr. Speaker, I yield 5 minutes to the gentleman from the time allotted to me.

Mr. TARVER. I thank the gentleman.

If a sound plan could be worked out under which a crop-insurance program could be carried on in a way to be of benefit to the agriculture of the country, and which would appeal to the farmers of the country as sound, I would be in favor of it. I voted for this program in its initiation. But I am not in favor of handing to the farmers of the country something which will be admittedly less beneficial to them than the program we have carried on heretofore. That was not only found to be a failure costing the Government possibly as much as the benefits received by the farmers, but it did not appeal to the farmers themselves, since less than 10 percent of the cotton farmers went into it and less than one-third of the wheat farmers, and the number of wheat farmers going into it was steadily decreasing at the time it was abandoned.

Mr. COX. By that does the gentleman advocate an increase in premium rates?

Mr. TARVER. No. That is provided for in this bill. It is provided in this bill that there shall not be benefits paid in excess of the premiums collected. There is the restraint that for 3 years benefits shall not be reduced on this account more than 15 percent.

Mr. COX. How would the gentleman then hope to make any kind of a crop insurance scheme sound and self sustaining?

Mr. TARVER. I have not been able, may I say to my colleague, to envision any plan by which a sound method might be formulated.

In saying to him that I would favor the enactment of such a plan, if it could be devised, I do not mean to say that I, myself, entertained the belief that it may be possible to devise it.

Mr. SUMNERS of Texas. Mr. Speaker, will the gentleman yield?

Mr. TARVER. I yield to the gentleman from Texas.

Mr. SUMNERS of Texas. Did the gentleman state for the record the amount of money paid out by the Gov-



ernment under the old plan, in excess of the premiums it received?

Mr. TARVER. I did state the amount in the course of my remarks. It was approximately \$82,000,000 paid out in benefits as against approximately \$51,000,000 plus, paid in in premiums. The loss in this respect to the Government was almost \$32,000,000. The Government's expenses or losses of about \$63,000,000, including administrative expenses, were about twice as much as the benefits above premiums received by the farmers of the country. In other words, it cost \$2 to the Government to carry \$1 of benefits to the farmer.

Mr. SUMNERS of Texas. That is what I thought.

Mr. ZIMMERMAN. Mr. Speaker, will the gentleman yield?

Mr. TARVER. I yield to the gentleman from Missouri.

Mr. ZIMMERMAN. The gentleman believes, does he not, during this troubled period of this country's history, this Congress should open up the Treasury and hand this out as a gratuity for the relief of the farmers who have suffered the disasters we are trying to protect against?

Mr. TARVER. If the gentleman is advocating this program, as one for the relief of the farmers, then he ought not to be including here any provisions to cut down benefits to the farmers, which they will receive as the result of payment of their premiums and to increase their costs. If all you want to do is to distribute money from the Treasury of the United States among the farm population of the country, then you ought to provide for a decrease in the premiums and an increase in benefits and then perhaps the farmers will go into it, as they have not done in the past, and will not do in the future, in my judgment, under the provisions of this bill.

Mr. ZIMMERMAN. The gentleman is not willing to concede that is what we are trying to do in this bill. But I asked him a plain question. Did you participate or are you in favor of opening up the Treasury to the disaster-stricken farmers of our country, to help them in time of emergency, such as they experienced in the Missouri Valley last year and the year before? Is the gentleman a party to that?

Mr. TARVER. I certainly would be in favor of extension of aid to the drought- and flood-stricken farmers. I have voted for that time and time again. I do not know that that is any reason why we should attempt to saddle the entire agricultural population of this country with a program of crop insurance which it has been demonstrated by 5 years of experience is fundamentally unsound.

Mr. FISH. Mr. Speaker, will the gentleman yield?

Mr. TARVER. I yield.

Mr. FISH. Mr. Speaker, I ask this question of the gentleman for a point of information. Can the gentleman estimate how much it costs the Government a year for crop insurance?

Mr. TARVER. For 5 years it cost the Government approximately \$63,000,000.

The gentleman can draw his own conclusions.

Mr. FISH. Will the gentleman say it cost at least \$10,000,000 a year?

Mr. TARVER. More than that.

I fully realize that from the standpoint of preventing the passage of this bill I am, to use the words of a colloquialism, "barking on a cold trail."

The cards are stacked in favor of the bill. Everybody who wanted an amendment has gotten it. The form of the bill has not particularly mattered, but the maintenance of the Federal crop insurance organization has apparently been the main objective. Even the gentleman from Missouri [Mr. CANNON] and the gentleman from Illinois [Mr. DIRKSEN], who were instrumental in having crop insurance abandoned, have now reached the conclusion for reasons sufficient unto themselves that they ought to support this bill. I shall appeal from the judgment of the House, which will doubtless be rendered here today, to the judgment of the future years when it shall be attempted to administer this program in the full confidence that no Member here present will have cause to remember with pride having voted to establish it.

I am strengthened in this position by the fact that I have expressed similar views at farmers' meetings and to many farmers individually in my district, and I do not at the moment recall that any one of them has ever taken issue with me on this question or has communicated with me by letter or otherwise urging the reestablishment of the crop insurance program.

Now I want to say to our city Members that when you vote for this bill, under the impression that you are doing something for the agricultural population of this country, you will certainly be badly mistaken. This is not a bill, which in my judgment, is of any particular interest to the American farmer except perhaps in some greatly restricted areas where under drought and flood conditions relief of this kind might be appreciated and the farmers might be willing to participate in such a program.

But in the greater areas of the country, aside from the drought- and flood-stricken areas, or those which are likely to be drought or flood stricken, the great majority of the farmers have now and will have no interest in this program if you pass the pending bill. You are simply providing for additional raids on the Treasury for the benefit of a useless Federal bureau. In view of the fact that so many of my Republican colleagues have continually complained about useless Federal bureaus, I hope they will not vote to reestablish this one.

The SPEAKER pro tempore (Mr. McGEHEE). The time of the gentleman from Georgia [Mr. TARVER] has expired.

Mr. FISH. Mr. Speaker, I yield myself 10 minutes.

Mr. Speaker, this bill for crop insurance is primarily in the interest of the western and southern farmers. It does not help the eastern farmers, dairymen, or poultrymen at all. In fact, it may increase the cost of the feed that they buy

for their cattle and poultry. But the principle of the bill was contained in both party platforms during the last campaign, and has almost the unanimous support of the Committee on Agriculture and of the Rules Committee. Perhaps the next Congress could work out a form of insurance not only for hay on the same basis as wheat, corn, and flax but for dairy-cattle insurance. Abiding by their judgment and my own party platform I expect to support the bill, knowing full well that it does almost nothing at all for the eastern farmers. I hope later on that they will have their day in court. I hope our dairymen and poultrymen in the East will be taken care of in the future and be assured of fair prices for what they produce. I think that will be a necessity in the conversion from wartime production to peacetime. Something has to be done for them or we will face the same disastrous condition with which we were confronted after World War No. 1 when many hundreds of thousands of farmers were driven from their own homes and farms. As a ranking member of the Subcommittee on Agriculture of the Post-war Economic and Planning Committee I hope every constructive effort will be made by the next Congress to maintain fair farm prices with or without farm subsidies. This is a difficult problem and is one which we have not dealt with as yet but which we cannot evade much longer. The new Congress should start right off in the most careful consideration of what action should be taken to prevent a repetition of the ruinous times after the last World War when the bottom fell out of farm prices and farm foreclosures were the order of the day. Mr. Speaker, I ask unanimous consent to speak out of order for the balance of my time on noncontroversial subjects.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. FISH. Mr. Speaker, I expect later on in the session, probably within 10 days or 2 weeks, to ask the indulgence of the House to speak at length on the recent campaign and upon national and international issues, and somewhat upon my own defeat for reelection to Congress. I have for a number of years collected material for a book on the causes and responsibility for World War No. 2 which I anticipate writing, let the chips fall where they may, in defense of 100,000,000 American noninterventionists before Pearl Harbor whose predictions have been verified by time and history. At this time I want to refer to two bills which I introduced, which I do not anticipate will be passed due to the short time left of this Congress, but I hope some Member of the new Congress will at least carry on the fight and try to have them enacted into law or something of similar nature.

I asked the gentleman from Georgia [Mr. TARVER] a few minutes ago how much this crop insurance would cost the Government. He estimated it would cost in excess of \$10,000,000 a year.

The bill I introduced yesterday, to which I want to now refer, would also require an authorization annually of \$10,-



000,000 for research, prevention of the spread of cancer, and for the cure of that dread disease in the United States.

Yesterday the President of the United States stated in a public message that we were spending \$250,000,000 a day in this war, naturally, for destructive purposes. It seems to me it would be little enough if we increased the annual appropriation from \$700,000 to \$10,000,000 to the National Cancer Institute at the end of the war with Germany to try to find, through intensive and further research into the causes, control, and relief of cancer something that would either cure or prevent the spread and ravages of cancer in this country, which has been increasing 2 percent a year since 1900. Not many years ago cancer was sixth on the list of mortalities. Today it is only second to heart disease, and is taking more lives each year in America than we are losing in the war. Due to the war much of the research work formerly carried on by the National Cancer Institute, for which the Government appropriates \$700,000 annually, has been curtailed since our doctors were needed in the war effort, but as soon as hostilities with Germany cease these doctors will become available and should be provided with every necessary facility and means to continue and increase their research efforts in the fight against cancer which is taking an increasing toll of the American people every year.

If this disease proceeds to increase at the rate of 2 percent annually, certainly it will soon be one of the major problems with which America will be confronted. In urging this bill, I hope some Member of the new Congress may have the same idea and carry on the same thought and introduce similar legislation in the next Congress to aid our own people in their fight against this dread and malignant disease, which is not only taking the lives of so many of our people but doing so in the midst of untold agonies. My proposal is not one of war and destruction of lives but deals with the preservation of life as a permanent policy and for the security, health, and happiness of American people. Compared to one battleship which costs \$100,000,000. I am sure that we can well afford at least \$10,000,000 annually to take care of and safeguard our own people in America from the scourge of cancer.

The other resolution I am introducing is one that is very close to my heart. I doubt whether it is necessary at all, because I believe it reflects the opinion of every Member of Congress, Republican and Democrat alike. This resolution is to have the Congress, due to the misunderstanding that arose during the campaign, to go on record in favor of bringing our servicemen who were inducted into the armed forces back to America as soon as the war has been won against Germany and Japan. Due to the campaign speeches, and otherwise, the American people were led to believe that their sons would be kept abroad, kept in the armed forces in a kind of militarized glorified W. P. A. all over the world. That, of course, is not the desire of the men in the service or of the American people. I have there-

fore introduced the following resolution and released a statement which is self-explanatory. I hope Congress will adopt a definite and concrete declaration of policy and stop the unnecessary worry and fear that exists in the minds of millions of American parents and wives that their sons and husbands will be kept in the armed forces after the termination of the war.

So much was said during the campaign about keeping our sons in the armed forces after the war instead of bringing them home immediately afterward that I believe the Congress should make its position clear to the public by passing legislation providing for the release of the enlisted and officer personnel, who were inducted into our armed forces under the provisions of the Selective Training and Service Act of 1940, from active service on the termination of the war with Germany and Japan.

It would be preposterous to keep our war veterans in the service after the war has been won. Some of them have already been in our armed forces for 4 years. The Congress should take the lead in making a definite declaration of policy in favor of demobilizing our war veterans as rapidly as possible and stop the idea prevailing in some parts of the Nation that it is the intent of the administration to keep our sons under some kind of militarized W. P. A. all over the world.

With this in view, I have today introduced the following bill:

A bill providing for the release of enlisted and officer personnel from active service in the armed forces after the termination of hostilities

*Be it enacted, etc.,* That the Secretary of War and the Secretary of the Navy shall at the earliest possible date after termination of hostilities with Germany and Japan return to the United States and release from active training and service all persons who have heretofore been inducted into the armed forces of the United States under the provisions of the Selective Training and Service Act of 1940, who request such release through his or her commanding officer.

SEC. 2. Persons in the armed forces, affected by section 1 of this act, are not precluded herein from volunteering freely and without coercion or undue influence, for continued overseas service.

SEC. 3. As used in this act, the term "armed forces of the United States" includes the Women's Army Corps, the Women's Reserve of the Navy, the Women's Reserve of the Coast Guard, and the Women's Reserve of the Marine Corps.

I found in the recent campaign there was a great deal of alarm and fear amongst the American people that once the war was won their sons would be held overseas. As a former veteran of the last war let me say that the one thing uppermost in the minds of 90 percent of our servicemen is to get back home as soon as possible after the war has been won. They have a right after having won the war to come back home and get started again on their jobs and professions and to participate in shaping the destiny of this country and in helping to write the peace terms and in determining what action we shall take in entering into any world security organization. I do not think it would be fair for us or

any one man, or even Congress without the cooperation of the war veterans who after all will have won the war, to enter into any foreign commitments that might involve us in another war without placing all the facts before the American people and the 11,000,000 returning veterans. I am 100 percent in favor of a world security organization and international cooperation to promote and preserve world peace; but I want the facts presented to the American people and to the servicemen themselves for final determination, for unless it is a fair and just peace it will not be lasting and then this war will have been fought in vain and our sons' lives sacrificed in vain. I know of no sacrifice that would be too great to preserve world peace, but I believe the American people have the right to know all the facts and to pass judgment upon any permanent commitments that might involve us in foreign wars. We certainly do not want to enter into any agreement or commitment that will enforce by the lives of American soldiers communism on the nations of Europe.

Mr. COX. Mr. Speaker, I yield myself the remaining time on this side.

Mr. Speaker, I have been tremendously impressed by the fact that there has not been in this House up to the present time any boasting or any complaining over the recent election. That is an attitude which I think is most becoming and I hope that from that position there will be no departure.

A winner should always be humble and a loser silent. Humility is a velvet cloak to all other virtues. Without it they are poorly clad.

I look upon the election as a magnificent personal tribute to the President. The people have said that they want him and certainly the whole world salutes him as its first citizen. There can be no bitterness in the heart of his fallen adversary, for any man who receives 47 percent of the total vote in a contest with this master statesman-politician is himself a notable figure and has much for which to be thankful.

We need to continue united on the war and on the peace that will follow. We need to establish and maintain harmonious relations with the executive branch of the Government. That can be done by the exercise of tolerance on both sides, by trust and confidence. We all love the same flag, our problems are identical and our obligations the same.

So let us catch step and with hands clasped hand in hand, and shoulder firm to shoulder, go forward toward that noble destiny appointed by an All Wise Providence for this glorious land of ours, for this, our beautiful America.

Mr. FISH. Mr. Speaker, I yield the balance of the time on this side to the gentleman from Wisconsin [Mr. MURRAY].

(Mr. MURRAY of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. MURRAY of Wisconsin. Mr. Speaker, in keeping with the spirit of our colleague from Georgia, the Honorable EUGENE COX, I think maybe this would be a pretty good time to check up and see just exactly what this bill has



to do with winning the war. During the campaign which we all went through I noticed that my opponent used the fact that I voted against crop insurance as one of the many political sins I committed since I have been here in your midst.

In the first place, I never voted against crop insurance because we never had a bill before the Congress for crop insurance, nor have we one here today. We have a bill, as has been explained very thoroughly by our colleague the gentleman from Georgia [Mr. TARVER] that does provide for cotton and wheat insurance, and I am glad that wheat is in there because I will not be held partisan in the few remarks I may make. This year flax has been added. I do not know whether flax has been added in here to smooth the way for our colleague the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN] or whether they want to get more flaxseed in order to manufacture more oleomargarine. If we are going to talk about a crop-insurance program we should think of it in connection with the war and I would like to yield to anybody who will tell me why this bill should be brought here as a war measure and why we should be insuring two crops that have evidently embarrassing surpluses.

I often wonder how many of us realize the exact situation. We are supposed to have a war food program. We have nothing to insure the crops that are going to produce the crops we are short of. We are getting short of pork. Even corn is not insured. We do not have anything in this bill that is going to furnish a spread for your bread, but we do have insurance provided cotton and wheat and flax.

Let us analyze those two. Let us take wheat. I will leave cotton alone, because they are in enough trouble without my adding on to it. All during this campaign we heard about the Smoot-Hawley Tariff Act and how bad it was, how all these Republicans were bad when they put it in, but they did not say that it has been on the statute books for the past 12 years and nobody has taken it off. If it was bad then, it is surely bad now. They did not tell you during the campaign that the present administration has implemented the Smoot-Hawley Tariff Act as far as wheat is concerned and that we now have a near embargo on wheat. You can only bring in 200,000 bushels of wheat four times a year.

I am not opposed to crop insurance. I am not opposed to the agricultural program, but during this war it just does seem to me that maybe sometime we can arrive at the point where we can do something not only in the name of the farmer but do it in the name of the people and in the name of the war. I am going to confine this to wheat. In the papers I read that they want you to appropriate \$28,000,000 to get rid of 70,000,000 bushels of wheat; that we have so much wheat we do not know what to do with it. I realize as well as anybody else that wheat is the staff of life, but I do not know any reason why we should be subsidizing the production of wheat, subsidizing the importation of wheat, and subsidizing the exportation of wheat all

during the war. If there is any reason for that, I would be glad to have someone sometime tell me, because I have not been able to figure out that this makes just ordinary, common, horse sense. So I say today, if you want to have an insurance program, let us insure the crops that are necessary in order to win the war. No one has said anything about insuring these crops. You go out and ask people to raise crops that they never raised before. If there is any crop that should be insured, it is peanuts. Why? Because thousands of farmers have gone out to raise peanuts that never raised them before. They raised them for patriotic reasons. Some had good luck; some had bad luck. The same is true of soybeans.

Mr. AUGUST H. ANDRESEN. Mr. Speaker, will the gentleman yield?

Mr. MURRAY of Wisconsin. I yield to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. Of course, the cotton acreage was cut down, as the gentleman knows, and they had to use the land for something, and they used it for peanuts.

Mr. MURRAY of Wisconsin. I do not think there is any doubt but that the peanut acreage was increased due to a patriotic desire to produce peanut butter and also the oils that are so vitally needed.

Soybeans is another crop that has spread its acreage very rapidly. I might say that the Congress has recognized that fact within the last 2 years when it passed those nonrecourse loans under the R. A. C. C. That is a form of insurance. Those nonrecourse loans had the endorsement right here on this floor, and production was increased by making these nonrecourse loans. They may or may not have worked out very satisfactorily.

So I say that I cannot see where this bill at this time should have the preference of having only wheat and cotton and flax included. I think that if there is going to be any insurance at all, we should insure the crops that you want in connection with winning this war.

Mr. COX. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

Mr. FLANNAGAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 4911) to amend the Federal Crop Insurance Act.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 4911, with Mr. SPARKMAN in the chair.

The Clerk read the title of the bill.

The first reading of the bill was dispensed with.

Mr. FLANNAGAN. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, I am indeed sorry that the former chairman of the House Committee on Agriculture, the gentleman from South Carolina, Mr. Fulmer, who had given so much time and thought to this piece of legislation, is not with us

today to present it to the House. The gentleman from South Carolina, Mr. Fulmer, was deeply interested in every phase of agriculture, was an ardent supporter of crop insurance, and we miss his presence today.

In my opinion, this is not only an important piece of legislation, it is more, it is a great piece of legislation, and one that should have demanded the attention of the American Congress years ago. Over the years practically every group in America has been able to obtain insurance of one kind or another, with the single exception of the farmer. We who represent agricultural districts know that the farmer has never been able to go into the market place and buy an insurance policy covering farm products.

In 1938 the Congress after much study passed what was known as the Federal Crop Insurance Act. Under the provisions of that law wheat alone was included. In 1941 the law was amended to include cotton. For 5 years, from 1939 to 1943, we had crop insurance covering wheat, and in 1942 and 1943 we had crop insurance covering cotton.

I am frank to admit that the picture during the short trial period does not look too good. Remember, however, we were entering a new field. We were pioneering. We were trying to extend insurance protection to a new class—the farmers of America—and we had to start from scratch; but I venture to say that the record the Federal Crop Insurance program has made is comparable to the record made by any life-insurance company or fire-insurance company for the first 5 years of its existence.

We suffered losses; of course, we suffered losses. We went into it expecting to suffer losses. But do not forget we brought blessings, many blessings, to a stricken class here in America, and blazed the trail, I hope, for greater future blessings.

Now, the picture is not quite as bad as has been painted. Here is the picture as of June 30, 1944, figured on a monetary basis. Premiums collected on wheat amounted to \$38,735,000 plus. Indemnities paid to the wheat farmers amounted to \$71,593,000 plus. The loss on wheat amounted to \$26,200,000 plus. On cotton, we collected in premiums, \$13,155,000 plus and paid out in indemnities \$24,260,000 plus. The over-all picture is this: We collected in premiums \$51,890,000 plus and paid out in indemnities \$95,854,000 plus, leaving a deficit of \$37,227,043. I submit to the House, considering the fact that we were pioneering and had to start from scratch that that is not a bad record. During that short experience we have learned many things, which things we have tried to write into the bill before us today. When the Committee on Appropriations failed to include an appropriation in the last bill, to carry on crop insurance, our former colleague, the gentleman from South Carolina, Mr. Fulmer, called the Committee on Agriculture together and we made a further study, a pretty thorough study. We called before us farmers from the New England section, and from the great farming sections of the Midwest and the West and the South.



With one voice, those farmers were in favor of continuing crop insurance. Men who lived upon the soil and make a living by tilling it came, men who had carried crop insurance came. Men who had not carried crop insurance came. Yes, they came from all sections, and they all demanded that we continue the crop insurance program. As I say, we learned many things from our short experience. These men, deeply interested in the program, told us how, in their opinion, the program could be improved. And so we tried to improve the bill so as to make it more workable and, if possible, to lower the premium and make it more attractive, and at the same time, place the program, as far as possible, upon an actuarially sound and safe basis.

Mr. ROWE. Mr. Chairman, will the gentleman yield?

Mr. FLANNAGAN. I yield.

Mr. ROWE. Referring to the figures quoted a moment ago, as to the deficit does that also include administration costs?

Mr. FLANNAGAN. We have made a great improvement in the administrative end of the program. When we started this program, as I said, we had to start from scratch. We had to collect the data upon which to build our program and it was not an easy matter. It took work, a great deal of work, to collect sufficient data to start out on. At first, you know it only applied to wheat. In 1939 it cost \$26.89 to service a policy. Now, that is unreasonable. I admit that. But by 1943 we reduced that to \$11.49. It will be further reduced as the policy holders increase in number. Another thing, the war has been going on most of this time. We did not have the opportunity to put on a sales campaign. You have got to sell crop insurance to the farmers, just like the old line companies sell fire insurance or life insurance, to make it a success.

You have got to bring as many farmers under coverage as possible to make the program a success. The more you can bring in the more you will be able to reduce the overhead or administrative expenses. Along with that I think you will be able to reduce the premium rate.

Mr. ROWE. Mr. Chairman, will the gentleman yield, if I may pursue the question further?

Mr. FLANNAGAN. I yield.

Mr. ROWE. The deficit to which you referred includes all administrative costs, does it?

Mr. FLANNAGAN. I have before me a statement furnished by the Department of Crop Insurance dated June 30, 1944. I do not think it includes administrative costs. I think it includes only premiums collected and indemnities paid.

Mr. SUMNERS of Texas. Mr. Chairman, will the gentleman yield?

Mr. FLANNAGAN. I yield.

Mr. SUMNERS of Texas. Can the gentleman tell us how many premiums there were? We can figure it out then ourselves.

Mr. FLANNAGAN. How many there were participating in the program?

Mr. SUMNERS of Texas. Yes.

Mr. FLANNAGAN. At what time?

Mr. SUMNERS of Texas. The \$11.40 year.

Mr. FLANNAGAN. In that year we had 357,333 wheat policies in force. We had 164,998 cotton policies in force.

Now this matter has been given a great deal of thought by our great farm organizations.

The CHAIRMAN. The time of the gentleman from Virginia has expired.

Mr. FLANNAGAN. Mr. Chairman, I yield myself 5 additional minutes.

As I said, our farm leaders have given a great deal of thought to the program. The program has the endorsement of our great farm organizations and has the endorsement of the Farm Bureau. It has the endorsement of the Farmers' Union. It has the endorsement of the Grange. It has the endorsement of War Food Administrator Marvin Jones, who, for years was the efficient chairman of the Committee on Agriculture in the House of Representatives. I say that any measure that comes before this body with the recommendation of those great farm organizations, plus the recommendation of Marvin Jones, is worthy of our very careful consideration. I ask permission to insert at the conclusion of my remarks letters and telegrams from Marvin Jones, War Food Administrator, the National Grange, the Farm Bureau, and the National Farmers' Union.

Now, I am not perfectly satisfied with this bill. No one is going to be perfectly satisfied with it. We will have to change and modify this bill from year to year as we learn from experience what it takes to put crop insurance upon a sound actuarial basis. One thing, I would like to see a change made in the 3-year period that is contained in the present bill. For the first 3 years we pay an indemnity of 75 percent on the average yield, or the actual cost of the planting and seeding and so forth. Now, we are in a war. It is hard to put this program over in the right way, and it cannot be put over in the right way, in my opinion, unless we can write a long-term contract. When you write a short-term contract this is what will happen: You will go to farmer A. He knows we have had plenty of moisture, and in all probability we are going to have a good crop year. Farmer A will say, "No; I do not believe I will take it this year." But, next year when we have had a dry season and there is very little moisture in the ground, he will be running after you to take it.

I want to be in a position to give him a 4- or 5-year policy so that the losses and benefits will distribute over a period of years. I believe if we can offer a longer term policy, we can bring under coverage the greater part of the wheat growers and the cotton growers.

Mr. ROWE. Is that policy which you have announced to establish security and to eliminate speculation?

Mr. FLANNAGAN. That is right. It is to eliminate the selection. If the farmers have prospects of a good season they will not want to take insurance; if the prospects are for a bad season they will take insurance. For this reason I should like to see it spread over a longer period of time so we could get a better average.

Mr. GIFFORD. Mr. Chairman, will the gentleman yield?

Mr. FLANNAGAN. I yield.

Mr. GIFFORD. Do I understand correctly that the Administration has expressly instructed that the premium will only cover losses and create a small reserve, but that no part of the premium will be charged for administration?

Mr. FLANNAGAN. That is right.

Mr. GIFFORD. And the administration of an act like this where the premiums are paid in the commodity itself, as has already been shown, is very expensive.

Mr. FLANNAGAN. I may say to the gentleman from Massachusetts that I believe it has been rather expensive and that it will be rather expensive until we secure sufficient data so we will know more or less to a certainty what losses we may expect.

Mr. GIFFORD. We want to have our eyes open and realize that we are not attempting through premiums to pay for administration.

THE NATIONAL GRANGE,  
Washington, D. C., November 21, 1944.  
Hon. JOHN W. FLANNAGAN, Jr.,  
House Committee on Agriculture,  
House Office Building,  
Washington, D. C.

DEAR MR. FLANNAGAN: We note that H. R. 4911, amending the Federal Crop Insurance Act, is scheduled to come up for consideration in the House this week.

The National Grange has long regarded a sound and workable plan for crop insurance as a necessary part of a well-rounded program to promote agricultural stability and to protect farmers against the hazards of the weather and other conditions beyond their control.

One of the reasons advanced for suspending the Federal program for crop insurance was to effect that the Government should not compete with private enterprise. Those who believe in our system of free enterprise will readily agree with that proposition. However, aside from hail and tornado insurance, which is available in some sections of the country, private agencies have never attempted to give the farmer crop insurance on any extensive scale.

Exaggerated statements were likewise made regarding the losses sustained by the Federal Crop Insurance Corporation, with the result that no funds were appropriated for the insurance of crops planted subsequent to July 31, 1943. As a consequence, no crops produced for harvest in 1944 were insured.

We note that the bill reported by the committee authorizes insurance on wheat, cotton, and flax. It provides that the insurance coverage shall not be in excess of 75 percent of the average yield for the insured farm, but with the restriction that the coverage will also not be greater than the investment in the crop.

We are glad that the bill authorizes trial insurance on other crops beside wheat, cotton, and flax, providing certain conditions are complied with.

Believing that his measure is in accord with sound public policy, and trusting that it may be enacted, we are,

Sincerely yours,

THE NATIONAL GRANGE,  
FRED BRECKMAN,  
Washington Representative.

AMERICAN FARM BUREAU FEDERATION,  
Washington, D. C., November 21, 1944.  
Hon. JOHN W. FLANNAGAN, Jr.,  
House of Representatives,  
Washington, D. C.

MY DEAR CONGRESSMAN FLANNAGAN: In response to a request for the position of the



American Farm Bureau Federation relative to the crop-insurance bill, H. R. 4911, I wish to advise that the Federation has consistently advocated continuation of crop insurance on wheat and cotton on an actuarially sound basis.

At the hearings on this proposed legislation, representatives of the Federation appeared and presented a number of specific recommendations. These recommendations, in the main, have been embodied in the pending bill.

Representatives of the Federation have advised against extending crop insurance to other commodities at this time, because it is believed essential to improve and protect crop insurance for these commodities before branching out into other fields.

We particularly commend the inclusion in this bill of the objectives of H. R. 3785, by Congressman CLARENCE CANNON, of Missouri, which is intended to assure that the program will establish adequate reserves and be placed on an actuarially sound basis.

The American Farm Bureau Federation therefore favors the enactment of this legislation, on a basis that will be in line with the recommendations presented by the Federation.

Sincerely yours,

W. R. Ogg,  
Director, Washington Office.

WAR FOOD ADMINISTRATION,  
WASHINGTON, November 21, 1944.

Hon. JOHN W. FLANNAGAN, JR.,  
House of Representatives.

DEAR MR. FLANNAGAN: This is in reply to your request for information as to the length of time necessary to place into operation a program of crop insurance on each of the crops named in the Fulmer bill, H. R. 4911. The following comments are based on the assumption that legislation and the appropriation would be passed before January 1, 1945.

We believe it would be possible administratively to offer insurance on spring wheat for 1945. Consideration should be given by Congress, however, to the advisability in the case of wheat of using 1 of the 3 years with the 15-percent limitation on prorationing for spring wheat alone, thus leaving only 2 such years for winter wheat.

We believe it would also be administratively possible to insure the 1945 cotton crops. With the short time available a program could not be put in operation as effectively as we would like but we will be glad to follow the wishes of Congress in this matter.

Likewise we believe it would be possible to insure 1945 flax crops in the principal producing areas.

With respect to the crops for trial insurance it appears that a start might be made in 1945 on corn, tobacco, and possibly peanuts and sugar beets. Yield records for individual farms have been kept over a period of years on these crops. Perhaps insurance might be possible in 1945 on some of the other crops but considerable actuarial work and study will be necessary before a program is launched.

We would like to call to your attention particularly the situation in insuring winter wheat for 1946. It has been our practice to start writing winter wheat insurance by the first of July preceding the planting of the crop to avoid adverse selection of risks. In the past we have had a considerable amount of the work in preparation for the program under way by January 1. Six months' time would not be more than adequate to carefully prepare a revised program for new 3-year wheat contracts.

What we have stated above is our present thinking relative to the time required to put insurance into force on different crops. We assure you, however, that we will make every effort to develop carefully and put into

effect as quickly as possible insurance on any crops that may be designated.

Sincerely yours,

MARVIN JONES,  
War Food Administrator.

AUGUST 28, 1944.

Representative J. T. MARTIN,  
The Capitol, Washington, D. C.

CLIFFORD HOPE,  
House Office Building,  
Washington, D. C.

L. C. ARENDS,  
House Office Building,  
Washington, D. C.

Speaker SAM RAYBURN,  
House Office Building,  
Washington, D. C.

Representative JOHN W. MCCORMACK,  
House Office Building,  
Washington, D. C.

Representative HAMPTON P. FULMER,  
House Office Building,  
Washington, D. C.

The National Farmers Union urges that you use your influence toward immediate consideration and adoption of H. R. 4911, authorizing a crop-insurance program. Adoption of the bill at this time would have a most beneficial effect among farmers. They have worked hard for the war effort in the face of great obstacles, and with peace now in sight in Europe many of them are frankly worried about prospects. Addition of crop insurance to the guaranties of the Steagall amendment would give many of them a new feeling of security for the future that would be reflected in greater production for the remainder of the war and greater eagerness for compliance with governmental programs after the war. As the November election approaches farmers are waiting fulfillment of the pledges made by both parties in platforms endorsing crop insurance. They feel that now is the time to meet those commitments so that they may have this added measure of security available to them in the next crop year.

RUSSELL SMITH,  
Legislative Secretary,  
National Farmers Union.

The CHAIRMAN. The time of the gentleman from Virginia has again expired.

Mr. HOPE. Mr. Chairman, I yield 5 minutes to the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN].

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I am one of those who opposed crop insurance as it existed through the experimental stage. I have, on the other hand, always favored the establishment of a sound over-all crop-insurance program that would take care of all growing crops; and I am, therefore, supporting this bill with the hope that before it is finally enacted into law we can make necessary changes so as to cover all crops and also make it a sound and self-sustaining insurance program.

I intend to offer an amendment which will take in additional important crops in our agricultural economy, which amendment, I believe, should be agreed to. It will cover barley, rye, and oats.

This program has begun as an experiment. I opposed it at that time because I felt that the premiums were not high enough to pay out indemnities or losses sustained. Now the Government has undertaken to pay the overhead expense, but no insurance company or no insurance program can operate unless the premiums are large enough to take care of the cost of administration as well as the

average cost over a period of time in paying indemnities or losses.

Mr. ROWE. Mr. Chairman, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield.

Mr. ROWE. Is it the intent or purpose of the Administration to keep administrative costs separate and apart from the set-up under this bill?

Mr. AUGUST H. ANDRESEN. That is not my intent; it may be the intent of the Administration, because the administrative costs up to this time have been a large share of the premiums that have been collected; but, of course, the program has gone through the experimental stage and it is sought now to write a sound crop-insurance law which eventually will be on a proven and adequate basis, a self-sustaining basis, so it may be continued and be of some value to the American farmers.

Mr. ZIMMERMAN. Will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield to the gentleman from Missouri.

Mr. ZIMMERMAN. If we include barley, rye, and oats in this program as the gentleman suggests, and we include cotton—and we tried that out for 2 years—we have some data on cotton and we have data on wheat—how can we place a premium that would not be exorbitant upon the farmer to take care of the operating expenses as well as the indemnities in case of losses?

Mr. AUGUST H. ANDRESEN. I may say to the gentleman I intend to place that in part of the bill so that statistical figures may be worked up to determine what the premium should be. This will not be in the first part of the bill. I hope that answers the gentleman's question.

Mr. ZIMMERMAN. The gentleman agrees that the Government must bear the administrative costs during the time that we are getting the necessary data which will enable the administrator to fix a reasonable premium in order to take care of the indemnities as well as the administrative costs.

Mr. AUGUST H. ANDRESEN. That data on production has been assembled under the A. A. A. for the last 12 years and it should not be very difficult for them to get it together and accumulate it in order to determine the figures.

Mr. CRAWFORD. Will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield to the gentleman from Michigan.

Mr. CRAWFORD. What would be the necessity, if any, to begin insurance on a crop before you have that data? In other words, if it is justifiable to begin insurance on cotton and wheat before you have the data, why would we not be justified in putting some of the other crops in?

The CHAIRMAN. The time of the gentleman has expired.

Mr. HOPE. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I admit they must have the data, but I am including these other crops.



Mr. CRAWFORD. I agree with the gentleman and I intend to support his amendments because I have had a chance to see the amendments to be offered. But I want to answer the argument of the gentleman from Missouri, because if we can proceed to insure wheat and cotton, with the Government carrying the losses, before the data is established, is there any reasonable argument against proceeding to take on some other crops too?

Mr. AUGUST H. ANDRESEN. That is right.

Mr. CRAWFORD. I think we might as well get that in.

Mr. MURRAY of Wisconsin. Will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield to the gentleman from Wisconsin.

Mr. MURRAY of Wisconsin. The gentleman lives in a corn country, and I would like to ask the gentleman what crop he thinks is more important at the present time than corn?

Mr. AUGUST H. ANDRESEN. I agree that corn is the most important crop in the country, but the gentleman will remember that 3 or 4 years ago the majority in this House refused to permit our farmers to plant corn enough to fill their silos. I live in a dairy country, just as the gentleman does.

Mr. MURRAY of Wisconsin. Looking at it purely from an insurance standpoint, it is pretty nearly necessary to produce all the corn we need in our own country. You can import wheat if you need it. We do not need it but we could import wheat. However, it is pretty difficult to import corn because the sources of corn are very limited.

Mr. AUGUST H. ANDRESEN. That is right.

Mr. MURRAY of Wisconsin. If any crop is a war crop today in comparison with national significance, it is corn, is that not right?

Mr. AUGUST H. ANDRESEN. If we were to have their measure just as a war measure there would be no necessity for it because we hope that the war will terminate within a relatively few months; but this is an effort that is being made by the Congress to set up a sound, permanent program for agriculture where the farmers may have some assurance that they will receive at least operating costs in the event of a crop failure.

Mr. MURRAY of Wisconsin. What is the object of insuring crops that we have too much of, if insurance increases production? Otherwise it will not be put in operation.

Mr. AUGUST H. ANDRESEN. The gentleman knows that we have had three of the most wonderful crop years in the history of our country and it is a good thing that we had it that way.

Mr. EDWIN ARTHUR HALL. Will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield to the gentleman from New York.

Mr. EDWIN ARTHUR HALL. I would like to call the gentleman's attention to page 3, line 16, the twenty representative counties selected by the board. How does the gentleman feel with reference to fairness, and so forth? Are they all

coming from the South or from the West or from some other section?

Mr. AUGUST H. ANDRESEN. I cannot say, but, of course, that is the experimental program where they are trying to determine rates and production in order to arrive at some actuarial figures which must be had.

Mr. EDWIN ARTHUR HALL. Does the gentleman feel that that can be carried out fairly and equitably?

Mr. AUGUST H. ANDRESEN. We hope the administration gets up into the State of New York to cover some of the hay that the gentleman has up there, because they often have crop figures in hay.

Mr. ARENDS. Mr. Chairman, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield. Mr. ARENDS. I discussed with the gentleman from Minnesota awhile ago the question that if a county is insured only on a percentage basis, say 75 percent must take out the insurance, will we find the Government in a position of going out and forcing the other farmers to take out this insurance also?

Mr. AUGUST H. ANDRESEN. There is nothing compulsory in this bill, and if there was anything compulsory in the program, it would not be for it. I recognize that under dictatorship countries, where they force everybody to do just exactly what the dictator wants done, why they would go out and force all of the farmers into the program as a mandatory proposition. They tried that out in the State of North Dakota a number of years ago on crop insurance and hail insurance, where every farmer had the premium put on his tax roll, but the farmers of North Dakota got disgusted with that and then the law was repealed. A thing like that will not work in the United States.

Mr. ARENDS. There is no possibility of that taking place under the consideration of this bill?

Mr. AUGUST H. ANDRESEN. There is no possibility of that taking place, and I think the Congress would be the first to repeal such a law if it was put into operation.

Mr. STEFAN. Mr. Chairman, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield.

Mr. STEFAN. How many crops does the gentleman's amendment include? Does it include corn?

Mr. AUGUST H. ANDRESEN. Corn is included in the bill, but I am adding some of the other basic crops. There is included in the bill wheat, cotton, flax, corn, tobacco, rice, peanuts, soybeans, sugarbeets, citrus fruits, and tame hay. I am adding barley, oats, and rye.

The CHAIRMAN. The time of the gentleman from Minnesota has expired.

Mr. HOPE. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield. Mr. DONDERO. In reading the report I notice, so far as it affects wheat, that it only applies to the commercial wheat area. Do I understand from that that

wheat crops in Michigan or Ohio or Pennsylvania should not be insured?

Mr. AUGUST H. ANDRESEN. It is my understanding that the whole country is a commercial wheat area. The only differentiation in the set-up between a commercial and noncommercial area is on corn.

May I call attention to another matter which I think should be corrected in this bill, and upon which I propose to offer an amendment, and that is with reference to administrative costs. The gentleman from Georgia [Mr. TARVER] has brought out very clearly the large amount of money that has been spent as overhead expenses. I have an amendment that may not be right, but I am going to offer it, anyway, where it will limit the cost to a sum which is equivalent to 25 percent of the premium collected in any one year. That may be too high or too low.

I am hoping that with that amendment, if it is adopted in the House, we will have something to go to the Senate with, as well as in conference, where we can make the adjustment, because we want the farmers who stand the losses and pay the premiums to get the most benefit out of it.

Mr. ROWE. Mr. Chairman, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield.

Mr. ROWE. I am glad to know that the gentleman is contemplating that sort of an amendment, because it has been running through my mind that that is a subject that should be incorporated in the bill, to prevent exorbitant administration costs against the men involved so far as insurance is concerned.

Mr. AUGUST H. ANDRESEN. Another thing that I think should be done by the conference committee, if it is not done in the Senate, and that is to put additional safeguards in the bill that will assure a sound program. We knocked out the crop insurance before because it was not sound, and that is why I want to urge the conferees and the Members of the Senate, if they do not adopt it, to go ahead and incorporate provisions in the bill that will make over-all crop insurance a sound and lasting program. No insurance program will stand the test of time unless it is founded upon sound policies.

The CHAIRMAN. The time of the gentleman from Minnesota has again expired.

Mr. FLANNAGAN. Mr. Chairman, I yield 5 minutes to the gentleman from Virginia [Mr. ROBERTSON].

(Mr. ROBERTSON asked and was given permission to revise and extend his remarks.)

Mr. ROBERTSON. Mr. Chairman, the great and important Committee on Agriculture was organized, as I recall, about 1820. In the intervening 124 years only one Virginian has served as chairman of that committee. We, of course, mourn the passing of the great chairman who recently died, but since it was God's will to call him to his final reward we, in Virginia, are proud that a Virginian, Mr. FLANNAGAN, has been called to leadership of that committee. We predict that he will fully measure up



to the high standard that has been set in the past.

Mr. Chairman, I am supporting the pending bill, first, because I feel that farmers are entitled to crop insurance; and secondly, because no private insurance company will write that type of insurance. I voted against the crop insurance bill in 1938 because I did not think that the program should be limited to wheat and cotton only, and likewise because I did not think that the program was based upon a sound actuarial basis. The best proof of the latter point is that the Government lost about \$26,000,000 on the wheat insurance and about \$11,000,000 on the cotton insurance. Those inherent difficulties have been corrected in the present bill. My personal feeling is that a 5-year experiment in Government crop insurance would be better than the 3 years provided for in the pending bill, and I would support an amendment to that effect. And I likewise think that other crops besides wheat, cotton, and flax should be included although those who know more than I about the subject prefer to test out the feasibility of including other crops under the experimental provisions of the pending bill.

The national farm organizations have been very helpful to Members of Congress during the past 12 years and helpful to the cause of agriculture through their sponsorship of much sound legislation, yet I have noted a tendency among some of the leaders of national farm organizations to be a bit intolerant of those who failed to support every specific measure 100 percent as advocated by the particular organization. My colleagues in the House will bear witness to the fact that no Member of this distinguished body has been more interested than I in the cause of agriculture, representing as I do the Shenandoah Valley of Virginia and some fine counties east of the Blue Ridge Mountains than which there is no better agricultural section in the United States.

During the past 12 years I have supported every major bill in behalf of agriculture with the exception of the crop insurance bill and the compulsory wheat-allotment bill. The National Grange, of which I have long been a member, was opposed to the compulsory wheat-allotment bill and I think properly so. I voted against that bill because the district I represent normally produces from one-fourth to one-third of all the wheat produced in the State of Virginia. There is only one State in the Union, namely, Pennsylvania, which has more flour mills than Virginia. The wheat produced in Virginia has never been adequate to meet our needs and when our Virginia millers import each year millions of bushels of wheat from the West the transportation charges on that wheat add from 10 to 15 cents per bushel to its cost to the local millers and ultimately to the local consumers. Of all the 48 States in the Union, there are only 9 which produce more wheat than the amount locally consumed, and, therefore, I took the position that if there was to be a compulsory curtailment of wheat produced, the curtailment should be on wheat as on corn—limited to those States which produced

an exportable surplus. The American Farm Bureau Federation actively supported the compulsory wheat-allotment bill, and was very critical of me for my failure to do likewise.

In 1942 the American Farm Bureau Federation supported the Brown amendment to the pending price-control bill, which required the cost of labor to be included in figuring the parity prices of farm products. The President said that if that amendment were adopted, he would be unable to hold the line against further wage increases in industry, and spokesmen for the White House predicted a Presidential veto. The ranking minority member of the Committee on Banking and Currency, the gentleman from Michigan [Mr. WOLCOTT], offered a substitute for the Brown amendment which I thought was better than the Brown amendment. Consequently I voted against the Brown amendment and for the Wolcott substitute. When the Wolcott substitute was defeated and the Brown amendment adopted I voted for the bill that included the Brown amendment. When the bill went to the Senate a compromise was reached between the language of the Wolcott amendment and the language of the Brown amendment which was entirely satisfactory to both of them and satisfactory to the national farm organizations, as indicated by a joint statement signed by them and included in the remarks of the chairman of the House Committee on Banking and Currency during the debate in the House on the conference report. See page 7740 of the CONGRESSIONAL RECORD of October 2, 1942.

I voted for the conference report which instructed the President to weigh the cost of farm labor in determining ceiling prices for farm products. Notwithstanding the fact that on two separate occasions I had cast the votes mentioned above, in the spring of 1944 the president of the American Farm Bureau Federation, Mr. Edward A. O'Neal, sent to the Virginia State president of the American Farm Bureau Federation a statement purporting to be my record on farm legislation for the past 12 years. That statement omitted many important bills which I had supported, but condemned me for my failure to support the Brown amendment. When I learned of that situation I submitted to the national president of the American Farm Bureau Federation and to the Virginia State president of the American Farm Bureau Federation a complete, detailed, and accurate statement of my votes on all farm legislation of the past 12 years with the request that the National president inform the Virginia State president that the record sent him in the spring of 1944 was inaccurate. In the meantime, the Virginia State president had written me a letter complaining, among other things, of my failure to support the Brown amendment and sent a copy of it to my Republican opponent.

In spite of my most urgent plea to the National president of the Farm Bureau Federation and to the Virginia State president of the Farm Bureau Federation to correct the injustice that had been done me both refused to do so. As a re-

sult, day after day over the radio, in the press, and through printed literature, my Republican opponent appealed to the farmers of the Seventh Virginia Congressional District to vote against me on the ground that I had been their enemy and not their friend, and he even went so far as to charge that the elimination of the Brown amendment had resulted in a financial loss to the wheat growers of my district of from 25 to 30 cents per bushel. The facts are that a provision similar to all intent and purposes to the Brown amendment was written into the law and I voted for it.

The further facts are that we had a billion-bushel wheat crop in 1944, plus a 300,000,000-bushel carry-over, with a current domestic demand, exclusive of lend-lease, of approximately 600,000,000 bushels, and but for Commodity Credit Corporation loans to support the prices the law of supply and demand would have operated and the price of wheat in Virginia and throughout the Nation would have been less than it actually was. I am satisfied that many wheat farmers in my district believed the reports concerning my voting record circulated by the American Farm Bureau Federation and my Republican opponent, and as a result I lost on November 7, 1944, the largest wheat-producing county in my district by the largest majority it has ever returned against me.

I harbor no ill feelings against my Republican opponent for his misrepresentation of my voting record in the recent election and I harbor no ill feelings against anyone in the district who voted against me in that election. I repeat what I stated at the outset, that the American Farm Bureau Federation has during the 12 years I have been a Member of the House rendered outstanding service to the cause of agriculture and to the farmers of America. My only purpose in making this reference to what occurred in the recent campaign is the hope that in the trying years that lie ahead of us, when our farm problems may become as acute as they were in the depression years of 1932 and 1934, those who do their dead level best to advance the interests of agriculture but who may not see eye to eye with some national farm leader on some minor phase of the program will not be subjected to the treatment that I received in the last election at the hands of the American Farm Bureau Federation.

Mr. HOPE. Mr. Chairman, I yield 5 minutes to the gentleman from North Dakota [Mr. LEMKE].

(Mr. LEMKE asked and was given permission to revise and extend his remarks.)

Mr. LEMKE. Mr. Chairman, I am for this bill, but realize that it is only a beginning. It is only a foothold. The ultimate solution of the farm problem will be and must be cost of production, and sooner or later we will have the intelligence to give that to the farmer. The farmer can no more continue to feed the Nation for less than it costs him to produce than a businessman can stay in business for less than it costs him to do business.



When cost of production finally comes, it must be 100 percent parity, not 75 percent parity, and it must be on 43 principal agricultural commodities, and not only 75 percent parity on only 5 agricultural commodities.

Sooner or later agriculture is going to come into its own. Sooner or later the farmer will know that the kind of legislation that has been handed to him means absolutely nothing. The farmer will again be made the shock absorber when this war is over, unless he gets cost of production. I want to say that the farmers in this Nation are universally and practically 100 percent for cost of production—100 percent parity on 43 agricultural products.

For some strange reason, some of their farm leaders have not yet awakened to the situation that in order to save agriculture, and that the only way that it can be saved, is by giving the farmer the cost of production, 100 percent—parity.

I realize that there are many people who think that the farmers are prosperous. I know that some politicians claim credit for great prosperity for agriculture. That is a deception and a fool's paradise, because the farmer during the last 4 years has been raising 20 bushels per acre of wheat on an average where 10 years prior, he raised only 8 bushels per acre. In other words, on an average he has been raising 20 bushels per acre for the last 4 years where for the previous 10 he has been raising only 8.

If the North Dakota farmer had gotten only the number of bushels per acre in the last 4 years that he got in the previous 10 years, he would have to be still filing under the Frazier-Lemke Farm Mortgage Moratorium Act in order to protect his home.

Again, if the farmer were getting only the 1937 price for his wheat, then he would be getting about one-half of what it cost to produce. Consequently, this crop insurance plan that is coming up here, is the first step, I hope, a toehold, toward the cost of production for the farmers of this Nation, on 43 principal agricultural commodities, and not 75 percent parity on only 5.

I would like to know how any Member of Congress would like to do business with me, if whenever he trades with me, I take a dollar from him and give him back 75 cents. That is exactly what the hypocritical triple A program has been doing with the farmer, prior to this abnormal crop production which is due to climatic conditions and not to politicians and due in part to higher prices, because of the war. I hope we do not have to buy farm prosperity in the future by the shedding of the blood and the giving of the limbs of our sons.

Mr. FLANNAGAN. Mr. Chairman, I yield 5 minutes to the gentleman from Oklahoma [Mr. JOHNSON].

Mr. JOHNSON of Oklahoma. Mr. Chairman, I am in favor of the pending compromise crop insurance legislation. It is of course a matter of record that I support the crop insurance act when it was originally passed by this House and again when the law was amended and broadened to include cotton. We from Oklahoma are particu-

larly conscious of the dangers of crop failure. While we usually produce good crops there, we are occasionally stricken by drought, hail, floods, excessive moisture, insects, and plant diseases. In my judgment the principle of crop insurance is sound and practical. It is not fantastic or visionary.

It is also well known that I also opposed the discontinuance of crop insurance in the summer of 1943 when as a result of legislation improperly added on an appropriation bill, this important program was discontinued. It will be recalled that the Appropriations Committee provided \$3,500,000 for so-called crop insurance with a very unusual qualification; let me read it to you:

*Provided*, That no part of this appropriation shall be used for or in connection with the insurance of wheat and cotton crops planted subsequent to July 31, 1943, or for any other purpose except in connection with the liquidation of insurance contracts on the wheat and cotton crops planted prior to July 31, 1943.

That was like saying that the little daughter might go for a swim, but with the proviso, "Hang your clothes on a hickory limb and do not go near the water." It was the kiss of death to crop insurance.

I opposed the discontinuance of the crop-insurance program, not only because the action taken by the great appropriation committee of which I am a member, was strictly a legislative matter, but also because I felt that a program as important as this to American farmers should be given a reasonable opportunity to prove that it could be a success.

The crop insurance item was dropped because some money had been lost during the years of its development period, and because a lot of propaganda was spread against it. In my opinion it will take longer than a short period of 3, 4, or 5 years to develop a successful and widely applicable crop-insurance program. I would not be surprised if it would take 10 years or longer before we develop a type of crop insurance entirely acceptable to Congress and to the American farmer. When Government crop insurance was first established, I doubt if any Member of this House considered that the act as passed was the final or perfect form. It got off to a rather bad start. Its premiums were too low and its benefits too high to be economically sound; but through experiment, there is being developed a more satisfactory system. Frankly, I am of the opinion the pending bill is far from being perfect. It is by no means the final form. It may be that the premiums under this legislation are too high and the benefits too low to be practical. That remains to be seen. But as I stated in the outset this pending measure is a compromise and undoubtedly is an improvement over the original crop-insurance law.

This bill provides that after 3 years the losses paid each year cannot exceed the premiums collected. That seems to be a wise safeguard. That provision makes certain that for at least 3 years the claims for loss would not be reduced

more than 15 percent by the process of proration. The provision that this insurance should be limited to the investment in the crop is sound. It makes certain that we would not guarantee farmers profit but guarantee him that he gets his investment back in case of loss. This bill is, of course, far more conservative than the original crop-insurance law. It is at least a forward, progressive move in the right direction.

The rank and file of the real dirt farmers in Oklahoma are for crop insurance. Of course, I realize full well that there are some big-shot farmers, who "farm" the farmers, who still oppose it. While crops were generally good this year in my State, yet our farmers never know what will happen next year. Oklahoma farmers have carried this insurance since the program was originally started. They have carried insurance on wheat for 5 years and insurance on cotton for 2 years. Only today I got the following figures from the Department of Agriculture. During the last 5-year period 95,000 wheat crops have been insured and 17,000 cotton crops have been insured; indemnities have been paid for losses on 39,000 wheat crops and some 7,000 cotton crops; altogether over 4,000,000 acres of crops have been insured. During that period wheat farmers who lost their crops have received indemnities amounting to \$5,500,000, and cotton farmers to \$1,500,000. These figures speak for themselves.

It will be recalled that in 1939 and 1940 wheat farmers in Oklahoma suffered heavy losses from drought. In 1941 a wet harvest season caused severe losses; in 1942 and 1943 greenbugs destroyed a large part of the crops. In some counties during those years practically no wheat was produced. In 1943 floods also took a heavy toll of crops in both wheat and cotton. Cotton farmers of Oklahoma have not so soon forgotten that drought and boll weevil caused heavy cotton losses in the years of 1942 and 1943. So there is abundant evidence why Oklahoma farmers are deeply interested in this pending bill.

In conclusion, permit me to merely add that both political parties have endorsed Government crop insurance in their recent platforms. I believe there are many people in both political parties who want to make that promise good. I am convinced that the farmers of America expect that promise be kept. The American farmers, or, at least, some of them, are beginning to wonder if the pledges of both political parties on this subject were mere empty campaign promises, to be forgotten after the election is over. This is not, or, at least, should not be, a partisan political matter. The farmer, irrespective of political affiliation, is producing foods for war. He is working overtime without sufficient help with mighty little complaint. He is not letting down our loved ones who are in the armed forces. This Congress must not let the farmers down by refusing to restore this important agricultural program.

Mr. FLANNAGAN. Mr. Chairman, I yield to the gentleman from Missouri



[Mr. ZIMMERMAN] such time as he may desire.

Mr. ZIMMERMAN. Mr. Chairman, I rise in support of the bill. I think one of the greatest mistakes this House ever made was when it followed the recommendation of the Committee on Appropriations and said no part of this appropriation shall be used for or in connection with the insurance of wheat and cotton crops planted subsequent to July 31, 1943, or for any other purpose except in connection with the liquidation of insurance contracts on wheat and cotton crops planted prior to July 31, 1943.

Last year in the Missouri River Valley we had probably the greatest flood in all history. We had a disastrous flood in the Missouri Valley in 1943, but fortunately for the people, they had crop insurance. They did not have any crop insurance in 1944. Those farmers were wiped out—left with nothing. The same thing happens when drought covers our country as it has in the past, as well as insect infestations.

I do not think friends of mine like the distinguished gentleman from Georgia, Judge TARVER, really appreciate what it means to have an entire crop completely eradicated and the farmer left with absolutely nothing. That was the reason that crop insurance came into existence. As has been said today, you cannot buy insurance on your crops. Companies refuse to engage in such business, and if they did, the premiums would be so exorbitant that the farmers could not afford to pay them. This is a way that the Committee on Agriculture fell upon to enable the farmers of the country to carry their own insurance and to inveigh against the results of flood, drought, insect infestations, storms, and other things that destroy the farmer's crops, all that he has to rely upon. I do not think we tried the experiment long enough. The fatal blunder this House made was when we followed the recommendation of the Committee on Appropriations last year and struck crop insurance to the ground. It was a fatal blow to agriculture and to the future of agriculture. The farmers of this country have risen up against the action of this House in destroying the fruits of a great committee, that earnestly tried to do something to solve this problem of agriculture.

Since Members have come back here I think they have heard from the people. At least the people in the Missouri Valley do not want another experience like that in January of 1943 and 1944 when not even their chickens were saved.

This bill is a reasonable bill. It proposes to reimburse the farmer at least for not more than 75 percent of the average yield of his farm or at least for the amount of money he spent for seed, for preparing his ground, for rent, and so forth, all outlays made by the farmer. When a disastrous flood comes, all that he has is gone. His loss comes out of his pocket and he has not anything left. I believe this bill is a good beginning; and I am not so much opposed to including corn and some other commodities in its provisions, but let me say that no insurance company ever started off

doing business at a profit. It took years of putting money and work into that business before it began to yield some profit. The trouble with us is that we tried to make an exception of agriculture and we stopped the experiment before we had gone far enough to see what should be done to make it a success. That was our fatal blunder.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. ZIMMERMAN. I yield.

Mr. CRAWFORD. Referring to the bill, page 2, lines 16 and 17, I ask this question: This language reads:

Such insurance shall not cover loss due to neglect or malfeasance of the producer.

Suppose a crop has matured and it is utterly impossible for the farmer to obtain the labor necessary to harvest the crop and the crop is lost by reason of not being harvested; would this insurance cover it?

Mr. ZIMMERMAN. I am pretty sure the provisions of the bill would cover it because it is up to the Administrator to determine whether or not he has been guilty of misfeasance or whether he is not cultivating his land in the manner of a good husbandman. Similar language was carried in the original bill. There has never been any difficulty about that.

Mr. CRAWFORD. The point I am raising now is the case where a crop has matured, all the work of maturing the crop has been performed satisfactorily to anybody; it is there in the field, but due to the absence of labor it cannot be harvested and remaining in the field it becomes an utter loss.

Mr. ZIMMERMAN. I believe the language is broad enough to cover that situation; that is my conclusion at any rate.

Mr. SUMNERS of Texas. Mr. Chairman, will the gentleman yield?

Mr. ZIMMERMAN. I yield.

Mr. SUMNERS of Texas. River bottom land is very rich and in good years produces very heavy crops. Under the provisions of this bill would the hill man who is not able to raise a good crop have to pay for the loss in the years when there is overflow in the river bottoms?

Mr. ZIMMERMAN. No.

Mr. SUMNERS of Texas. Why not? The taxpayers pay.

Mr. ZIMMERMAN. The program is based on the average yield of the land.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. ZIMMERMAN. I yield.

Mr. COOLEY. It occurs to me that the proper answer to the gentleman from Michigan would be that if failure to harvest is due to a shortage of labor the policy would cover it; but the landlord, the land owner could recover only the amount of money actually invested in the crop up to that point.

Mr. ZIMMERMAN. That is right, of course.

Mr. CRAWFORD. I think that is fair.

Mr. ZIMMERMAN. That is what I understood, because we do not cover more than 75 percent of the crop or the amount of money spent not to exceed 75 percent of money spent in preparing

the land for crop buying seed, fertilizer, and for harvesting the crop.

Mr. STEFAN. Mr. Chairman, will the gentleman yield?

Mr. ZIMMERMAN. I yield.

Mr. STEFAN. I believe my colleague from Michigan in inquiring about the matured crop that could not be harvested because of lack of labor refers, for instance, to the corn crop. We in Nebraska now are harvesting the largest corn crop in the history of our State. A lot of that corn cannot be picked because the farmers cannot get help, cannot get corn-picking machines. Most of it has to be picked by hand. His kids have not got work clothes. He is handicapped. His boys of draft age have gone to war. A lot of that corn never will be harvested. Will this bill cover that case, for instance?

Mr. ZIMMERMAN. It is my opinion that the bill will fully cover such a situation.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. ZIMMERMAN. I yield.

Mr. CRAWFORD. The gentleman from Nebraska has outlined the case perfectly so far as he goes, but I would not restrict it to corn only, because I know what the situation is in the cotton fields. I have seen many a crop of cotton lost because it was utterly impossible to get labor to pick it before the weather had beaten it into the earth literally until it was practically covered with dirt.

With our labor situation as it is, I simply wanted to know.

Mr. ZIMMERMAN. I am giving you my interpretation of the bill as I understand it.

Mr. WASIELEWSKI. Will the gentleman yield?

Mr. ZIMMERMAN. I yield to the gentleman from Wisconsin.

Mr. WASIELEWSKI. I want to get the gentleman's opinion on this crop-insurance-coverage situation. We had a situation in our district where tomatoes were so abundant they were bringing a price as low as 50 cents a bushel and the farmers did not deem it economically wise to pick them. Would that be covered?

Mr. ZIMMERMAN. No; I do not think it would. That is an economic situation and not within the contemplation of the bill. In other words, this is to protect the farmer against things that he cannot guard against, things that are unavoidable.

Mr. BURDICK. Will the gentleman yield?

Mr. ZIMMERMAN. I yield to the gentleman from North Dakota.

Mr. BURDICK. I think the gentleman's interpretation of the bill is correct. On page 2, in defining the causes for which insurance is granted, these words appear: "and such other unavoidable causes as may be determined by the board."

Mr. ZIMMERMAN. That is right, and I think that answers the whole question.

Mr. Chairman, I have consumed more time than I intended to consume. I do not think this House can afford to let the farmers of America down by failing to pass this bill and in making an honest



effort to work out a sane crop-insurance program which will protect the farmers of this country just like all forms of business are able to protect themselves by means of insurance that they can buy at a reasonable rate. As I said before, the farmers cannot do this for themselves and in that respect they stand in a very unique position. It is our duty to give the farmers of this country a chance to carry their own insurance, which is all they have ever asked for. If we will give this program a chance to operate for a sufficient length of time and if we do not get the jitters like we got when we struck it down before it had a chance to operate, we can guard against the hazards that agriculture has suffered all these years.

Mr. HOPE. Mr. Chairman, I yield 5 minutes to the gentleman from North Dakota [Mr. BURDICK].

Mr. BURDICK. Mr. Chairman, I want to call attention to the situation of crop insurance in North Dakota. When this House failed to provide an appropriation for that purpose there was on hand one and one-quarter million bushels of wheat as a surplus and all losses had been paid. We had that much left and under the terms of the old law the insurance for this year would be greatly reduced in that section of the country.

We are starting out again and the first question I want to ask the chairman of the committee on the majority side is, What has become of our one and one-quarter million bushels that we held in reserve? If we start out again, what assurance can we give the farmers that when we build up a reserve in North Dakota you will not come along and take it away a second time? What incentive can you hold out to these farmers to take this insurance after the action of this House in turning down an appropriation? I want to ask the chairman, what has become of our million and a quarter bushels that we had?

Mr. FLANNAGAN. The million and a quarter bushels of wheat that we still own?

Mr. BURDICK. The surplus.

Mr. FLANNAGAN. I imagine that the Government still owns it. They have been liquidated as fast as possible. They had 470 employees and it has been reduced to, I understand, 50 or 60. In accordance with the direction of the Congress they have been liquidated.

Mr. BURDICK. What assurance can you give the farmers next year that we are not going to take their surplus again when they build it up by the failure of the Congress to pass an appropriation?

Mr. FLANNAGAN. If we enact this law, it is up to the gentleman and the other Members of the House to stand between the farmer and the destruction of this legislation in future years.

Mr. BURDICK. I want to say to the chairman that it was no failure of mine that that appropriation did not pass because I spoke on that very subject.

Mr. FLANNAGAN. I appreciate that. I understand further that the gentleman from Missouri [Mr. CANNON] and the gentleman from Illinois [Mr. DIRKSEN], two of the chief opponents of the legislation, are now both in favor of it.

Mr. BURDICK. I am glad they have had a change of heart. It seems to me that we depend too much in this Congress, although I should not say so much about it, because I do not expect to participate in this body much longer—but it seems to me that we let the Committee on Appropriations dictate the legislation in this Congress in altogether too large a fashion. After Congress has authorized an action, then for the Committee on Appropriations to come along and curtail it and cut it out entirely, does not seem to me to be good legislative action.

I want the Members to understand that I am for this legislation. I was for it from the beginning. We have to start all over in North Dakota, but even if we do, I would like to see the thing started. The provision in this bill to try out other commodities, for instance, peanuts and what have you, by selecting 20 counties in the Union that raise peanuts, will give you a pretty good idea of what you can do. Then you can pick out 20 counties raising other crops, and from that experience the data that will be assembled by this Congress will indicate finally the proper kind of an insurance bill. But this is a start, Mr. Chairman, and I am for it.

Mr. HOPE. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. SMITH].

(Mr. SMITH of Ohio asked and was given permission to revise and extend his remarks.)

Mr. SMITH of Ohio. Mr. Chairman, it is hard for me to conceive how it is possible for those Members of the House who have been inveighing against unnecessary Government expenditures and bureaucracy to vote for the pending measure. It provides for an unnecessary expenditure and the creation or continuation of a goodly sized Federal bureau.

The gentleman from Georgia [Mr. TARVER] stated accurately the case against the crop-insurance program that is provided for in H. R. 4911. He pointed out what is common knowledge to all of us how completely Federal crop insurance has failed in the past. He showed that the loss to the Government in that venture was in excess of \$63,000,000. He showed that the cost of administering the program was nearly \$32,000,000. He also pointed out that the pending measure would decrease the benefits and increase the cost to the farmers as compared with the benefits and costs to them that were involved in the crop-insurance program which has been in operation. Accordingly, it is reasonable to assume that this program of crop insurance would be less attractive to farmers than the previous one and from an administrative point of view comparatively more costly.

However, I wish to discuss another angle of this proposed crop-insurance program. It should be borne in mind that this bill specifically provides for the payment of losses by the Federal Government. That provision is found in section 2 (c) of this bill.

What is the source from which the funds are to come to pay for the losses that are likely to be produced by this

program, if it should be adopted? In great measure, if not entirely, the losses that would be sustained would be charged to our children and their descendants.

The money that has been borrowed to pay for crop insurance losses becomes a part of the permanent public-debt structure. The interest on it is obtained largely, if not entirely, by borrowing from future generations. At the going Federal rate of interest, which is about 2 percent, the principal will double itself in 35 years.

The Treasury statement of November 18, 1944, shows the Federal debt to be more than \$212,000,000,000. According to Federal Reserve figures furnished me, of this amount more than \$87,000,000,000 represents Government-printed bank money. The commercial banks and the Federal Reserve banks together hold more than \$87,000,000,000 of direct and guaranteed Government securities. Financing Government securities through the banking system is in substance the printing of bank money by the Government.

Shall we vote for this measure which will charge the losses that may and, according to past experience will, eventuate by its passage to our children and grandchildren?

The financing of Government securities through the banking system is highly inflationary. Since a part of the losses that likely would be sustained in the operation of the contemplated program of crop insurance must be met with funds so derived the scheme would be extremely inflationary.

Inflation is even now upon us.

This proposed crop-insurance plan would rest upon a most unsound financial basis. It is one more risky measure that would threaten bankruptcy of our Nation.

Mr. HOPE. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. CRAWFORD].

(Mr. CRAWFORD asked and was given permission to revise and extend his remarks.)

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. As I understood from the colloquy the gentleman had with the gentleman from Missouri [Mr. ZIMMERMAN], it was agreed that if a man produced a crop of corn, a crop which had matured, good corn, and he could not get labor and so left the crop in the field, he would be reimbursed for that.

Mr. CRAWFORD. I did not agree with that. I understood from the gentleman from Missouri that was what the language of the bill meant to do.

Mr. AUGUST H. ANDRESEN. I do not see how anybody could read that into the law either for cotton or corn or any other crop.

Mr. CRAWFORD. I still question that very seriously myself.

Mr. Chairman, I have been furnished with data from the Department of Agriculture which shows that in the Eighth



Congressional District of Michigan over a 5-year period there were 17,163 wheat farms insured. The number of indemnities was 3,516. The premiums paid were \$111,952. Indemnities were \$162,293, or a deficit of \$50,341, which caused a loss ratio of 1.45. That is an illustration of what has taken place in the Eighth Congressional District of Michigan as far as wheat insurance is concerned.

As best I can analyze or determine it, we face a situation in this country wherein crop insurance is going to be adopted by this Congress and accepted by the people of the country. If I am not mistaken, I think both major political parties pledged that to the people of the United States. In other words, here is an additional cost of government, we will say, relating directly to agricultural producers, which I must assume the country is willing to accept. Therefore, I am going along with this program. We have had 2 or 3 years in which to debate it. I have opposed it strenuously all the time up to this point. If it is now to become a part of the agricultural economy of this country and the agricultural procedure, then let us go ahead and try this thing out and on as sound a basis as can possibly be worked out by intelligent and fair-minded men.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield further?

Mr. CRAWFORD. I yield.

Mr. AUGUST H. ANDRESEN. Does not the gentleman feel that the people want to have us inaugurate a sound program that will be self-sustaining, so that it will not cost the Government any money?

Mr. CRAWFORD. Yes. I do not know how long I shall be in the House as a Member, but if I find that this Congress in the coming 2 years refuses to go along on sound principles, then I simply cannot support this program when it comes to the appropriation for its continuation.

On page 3 of the bill subsection (2) reads as follows: "For the purpose of determining the most practical plan, terms, and conditions of insurance with respect to" certain crops enumerated there. I think that is a wise provision.

But I do not believe we have gone far enough yet. I understand that the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN] is going to offer some additional language. I propose to offer some additional language to that particular part of the bill and insert in there along with corn, tobacco, rice, peanuts, soybeans, sugar beets, and citrus fruits, dry beans. Dried beans are a support crop, at the present time, and have been for the last 2 or 3 years. I hope that the chairman of the committee, the gentleman from Virginia [Mr. FLANNAGAN], will accept that amendment when it is offered. That will cover all types of dried beans, I may say to the gentleman from New York. I know his district produces dry beans. I may say to the Members from California, that covers your crops out there. We should have that crop in this bill. There should be no doubt about that at all. I am going to offer the amendment when we begin to read

the bill under the 5-minute rule. I hope that the States that are interested will support me in that position. I believe that the coming Congress and the other body, as this bill progresses through the Congress, can design a fairly sound basis here on which we can proceed, as to the future. And then from time to time, I hope we will have the common sense and initiative and all the other necessary elements, to make this a sound program all the way through.

Mr. FLANNAGAN. Mr. Chairman, I yield 3 minutes to the gentleman from Louisiana [Mr. LARCADE].

(Mr. LARCADE asked and received permission to revise and extend his remarks.)

Mr. LARCADE. Mr. Chairman, coming from one of the greatest agricultural districts in the United States, I would be amiss in my duty, if I were not to say a few words at this time in support of this bill. It so happens I also have had considerable experience in the insurance business. I view this legislation largely from the standpoint of an insurance man. I have had the privilege of writing insurance for 30 or 40 years, acting in the capacity of a State and general agent and have had considerable experience in that line of business. I do know that with respect to the crop insurance legislation that previously was enacted by the Congress, a fair trial was not given to the program. In the time that this program was in effect, it was not possible to assimilate enough actuarial data in order to arrive at a reasonable conclusion as to whether the program could or would be self-sustaining. Fire insurance companies, in order to get an average experience on classes of risks, usually take a 5-year period. If I recall, the crop insurance program, was only in effect about 2 years and it is my opinion that not only for the reasons that have been previously advanced, the principal one of which is the obligation of both sides of this House to furnish the farmers of this country some opportunity for crop insurance protection, there are many other arguments which favor the passage of this legislation. Of course, as I said in the beginning, it is apparent, in my opinion, that a fair trial and experience has not been obtained for this legislation.

I recall during my experience where the fire-insurance companies ventured into fields where they, like the Congress, did not go along a sufficient length of time in which to obtain experience on the lines that they were writing, which were new lines. For instance, I recall one year after disastrous floods in my country the insurance companies ventured into crop flood insurance. It just happened that the year they went into the crop flood insurance business we had a devastating flood in my State and the result was that the insurance companies lost heavily.

Mr. AUGUST H. ANDRESEN. Will the gentleman yield?

Mr. LARCADE. I yield.

Mr. AUGUST H. ANDRESEN. The insurance companies have tried to give over-all coverage for all farm products, but they failed the first year because

there were so many losses that they could not pay.

Mr. LARCADE. As I said, the reason for that is that they did not have an average record over a period of years to ascertain whether the rates which they established were sufficient to be self-sustaining or profitable.

The CHAIRMAN. The time of the gentleman from Louisiana has expired.

Mr. HOPE. Mr. Chairman, I yield such time as he may desire to the gentleman from Michigan [Mr. MICHENER].

[Mr. MICHENER addressed the Committee. His remarks will appear hereafter in the Appendix of the RECORD.]

Mr. HOPE. Mr. Chairman, I yield 5 minutes to the gentleman from Wisconsin [Mr. MURRAY].

(Mr. MURRAY of Wisconsin asked and was granted permission to revise and extend his remarks.)

Mr. MURRAY of Wisconsin. Mr. Chairman, I want this record to show the facts. I just want to record that here we are, figuring out another scheme of distributing benefits to a small group and a small part of agriculture.

If we would only spend one-tenth as much time trying to administer the laws that are on the statute books as we do in figuring out new schemes, the farmers would be better off and the people would be better off because we would not have to keep piling bureau on top of bureau.

It has been a part of the law of this land for several months that the farmers were entitled to 90 percent of parity for the crops that were asked to be increased by the Secretary of Agriculture. Little or no attention has been paid to it. Some of the products that were asked to be increased were allowed to sell as low as 30 percent of parity. No one can dispute that statement of fact. I put the official returns in the RECORD, right from the packing house that brought the pork. We saw it on eggs last winter. Now, we figure out another grand scheme of something we are going to do for the farmers. Surely I think we should have a crop-insurance set-up. I do not think it is necessary to build up another big bureau in order to have it. I think we have established agricultural agencies now. I think there is no better one than the A. A. A. to put it into operation, where we have men in every township all over the United States.

It has not been so many months ago that we felt so badly for the farmers that we allowed their interest rates to rise, to exact another \$6,000,000 out of their pockets after we had frozen what they could get for their products. So if this insurance could be put on a basis of some efficiency, some common sense, instead of going out and building up a bureau with a great many more people for the farmers to carry around on their necks, then there would be some reason to stand here and support it. But, there is no evidence presented that it will not take 50 percent of the money that is appropriated to operate another agency to conduct the experiment.

I realize who controls this House. I realize it is hard to beat both parties.

I just want it to appear in the RECORD that neither the Republican Party nor



the Democratic Party ever supported the bill we have here to insure two crops that represent such a small part of agriculture. If we want to do something for agriculture I can name some other crops we should start out with.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. MURRAY of Wisconsin. I yield.

Mr. COOLEY. What crops would the gentleman like to add to this bill?

Mr. MURRAY of Wisconsin. I would start out by insuring the crops, war crops, corn, and all deficiency crops. I would not start out by taking just wheat and cotton, two crops of which we have such surpluses.

Mr. COOLEY. But that is just a beginning as the gentleman knows.

Mr. MURRAY of Wisconsin. The other crops could be insured as well.

Mr. COOLEY. Certainly, but we start with those because we have actuarial figures available which are necessary to work with.

Mr. MURRAY of Wisconsin. The answer to that is that we have just as much information about the other crops as we have about cotton and wheat. If the benefits of the bill are to be limited to such a small part of agriculture I think we could get along without that kind of legislation. I think we should be able to divert ourselves long enough to produce the things that are necessary in order to win this war, and it seems to me that the farmers who enter into that war program should be insured in their efforts. I have nothing partisan or personal in speaking as I do but I am actuated merely by a motive of fairness. These crops should be insured just as much as wheat or cotton. I am not complaining or taking this attitude because the Vice President came out in my district and made several speeches. Do not think there is anything personal about this. This would be a good time to use some common sense.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. FLANNAGAN. Mr. Chairman, I yield 10 minutes to the gentleman from North Carolina [Mr. COOLEY].

Mr. COOLEY. Mr. Chairman, this is the first opportunity we have had to redeem a campaign pledge. This statement goes for members of both parties. Fortunately, members of both of the major political parties agree that something should be done about crop insurance. I know that in the past those of us who have advocated crop insurance have suffered many set-backs here on the floor of the House, but those of you who have opposed crop insurance in the past need not have any misgivings about changing your position, because this bill is a new approach to the problem. I shall not undertake to defend the activities of the old Crop Insurance Corporation further than to say that the losses suffered by the Government, even as great as they were, did not amount to as much as I expected they would amount to when the original bill was enacted into law. Those of you who were here at the time the original bill was enacted will recall that the program contemplated a possible loss of \$100,000,000. There was not a Mem-

ber on the floor of the House at that time who did not understand clearly that the Government was to defray the entire cost of the administration. The program was not a complete success; no one was optimistic enough to believe it would be. We all knew then that we were embarking upon an experiment of great magnitude; we all knew we were dealing with a problem with which no private corporation would attempt to deal because of its magnitude.

The question before us now is whether or not today, right on the heels of the election, we are going to redeem or repudiate these platform pledges. I am not foolish enough to suggest that either the Republican Party or the Democratic Party by name approved the Fulmer bill, which is now being considered.

The principles of crop insurance were certainly and definitely approved at both of the national conventions and every Member of this House, Republican or Democrat, ran upon one of those party platforms.

If this bill is not right it may be amended. No one would suggest it is a perfect piece of legislation. I certainly do not believe it is perfect, and I happen to have been chairman of the subcommittee that drafted the bill. The original bill was not perfect and this bill is not perfect. I do not kid myself into believing that I have ever voted for a perfect bill since I have been a Member of Congress, but I do say this is a reasonable and sound approach to the solution of a great problem.

I have several objections to this bill, although I am for it and every part and parcel of it. I can certainly see some of its weaknesses. Here is one of the weaknesses: Those who have opposed crop insurance in the past have insisted that any crop insurance program inaugurated by the Federal Government should be actuarially sound and self-supporting, and I say that is a requirement which we cannot possibly meet, because none of the experts of the Government can figure out now an actuarially sound program which embraces all-risk crop insurance.

Mr. MAY. Will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Kentucky.

Mr. MAY. I would like to know for my own information just what the cost of this entire program will be to the Government.

Mr. COOLEY. I regret very much I cannot tell the gentleman what the cost will be. I cannot tell the gentleman what the premiums will be because the premiums have not been fixed. The premiums will be based upon data which will hereafter be collected.

Mr. MAY. In view of the fact that the cost of the present war is running \$250,000,000 a day and that victory is not yet quite in sight, if this is going to cost a fabulous sum so far as the Government is concerned, does the gentleman believe it wise to go ahead with it in view of the high prices that the farmers are getting for their products at the present time?

Mr. COOLEY. I do not think we should delay the enactment of this legislation until the end of the war.

Mr. RUSSELL. Will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Texas.

Mr. RUSSELL. The gentleman has stated that the premiums have not been set. Under the bill who is going to set the premiums and how will they set the premiums?

Mr. COOLEY. If the gentleman will refer to line 6, page 4, of the bill he will find that the board is authorized "to fix adequate premiums for insurance in the agricultural commodity or in cash, at such rates as the board deems sufficient to cover claims for crop losses on such insurance and to establish within a period of 3 years a reasonable reserve against unforeseen losses."

Mr. RUSSELL. Is that "Board" the present corporation?

Mr. COOLEY. That is the board which will administer this law.

Mr. RUSSELL. There is going to be set up by this bill a new independent board to administer crop insurance?

Mr. COOLEY. That is right. An objection to the old bill was lack of participation on the part of the farmers. The gentleman from Georgia [Mr. TAVER] pointed out that in one county only one farmer applied for and obtained a policy. I regret that we did not have the broad participation desired.

Mr. SCRIVNER. Will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Kansas.

Mr. SCRIVNER. Will the enactment of this bill increase the amount of red tape now binding the farmers, will it cause them to be any further harassed by governmental agencies, or will it leave them free?

Mr. COOLEY. I would not suggest that this bill will result in any farmer being harassed. There is nothing compulsory about it. No one can make him take insurance unless he wants it. I do not think the purpose of the bill is to create a bureau. I think it is a sincere effort to be of some aid to those who live upon the farm and are now faced with all of the many problems of the soil.

Mr. SCRIVNER. I thank the gentleman for that assurance.

Mr. SMITH of Ohio. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Ohio.

Mr. SMITH of Ohio. The gentleman assures us that this program will not become compulsory. What about the triple A? We were assured that the triple A would not become compulsory.

Mr. COOLEY. I do not agree with the gentleman. The triple A is not compulsory in any respect. The farmer may completely ignore all of the provisions of the triple A and go ahead and manage his own business. The Government merely offered some compensation to those conserving the topsoil of American farms.

Mr. SMITH of Ohio. What about the Supreme Court decision referring to wheat farmers?

Mr. COOLEY. I do not care to enter into a discussion with the gentleman on the merits or demerits of the triple A.



That agency has its own record. The issue must be faced by the gentleman here today just as it is being faced by the rest of us. Are you or are you not going to repudiate the party platform upon which you ran for reelection?

Mr. SMITH of Ohio. Is that a personal question?

Mr. COOLEY. No; that is not a personal question. It is directed to the entire membership of the House.

Mr. SMITH of Ohio. May I answer that?

Mr. COOLEY. The gentleman may answer it in his own time if he desires. I repeat that this bill represents a sincere effort on the part of Democrats and Republicans alike. This bill was not drafted by any one member of one party. The members of the Republican Party participated in drafting this bill. No one man may claim credit for it. While it may not be perfect, and while I would not be foolish enough to say that it will be administered with perfection, I do believe that it should be enacted into law. I am sure that the experiments which will be conducted pursuant to the provisions of this bill will be well worth while, and I have no reason to believe that those who will be charged with the responsibility of administering the bill will unduly or unnecessarily increase administrative costs. Unless we continue crop insurance the many millions already invested will be a total loss and the data already collected will be worthless.

Mr. HOPE. Mr. Chairman, I yield 5 minutes to the gentleman from Oregon [Mr. STOCKMAN].

Mr. STOCKMAN. Mr. Chairman, I am glad to note that over the past year there has been a trend for a change of opinion in the House that has been slow, but I think quite steady, in favor of Government participation in crop insurance. This is a matter that I think is of Nation-wide importance, especially due to the fact that crops and food are major factors in winning the war.

Crop insurance to the farmers of this country is something that only the Government can make available. It is too large a thing; it is too complex and too new for private insurance companies to take up and to go into as a financial venture, and consequently it leaves only the Government itself as the one agency in this country that can make it available.

The fact that we had the crops and consequently the food with which to start out to win this war I think is due, in large measure, to the fact that we had crop insurance at the start of hostilities for several of our major crops. We will lose but very little money, if any, on the present plan that we have outlined for crop insurance.

Strong resistance made in the House a year ago last spring was the primary reason why crop insurance was discontinued, and it was made on account of the alleged large monetary loss involved. Thirty-seven million dollars for a total loss of crop insurance is a relatively small amount, and such as it was, however, is what contributed mainly to the defeat of it at that time. However, the bill as it is now set up calls for only 85 percent of the losses being paid the first

3 years, and if only that much money is available through premiums and rates adjusted after that to the losses as they then appear. That means that the Government will not lose any \$37,000,000, or even any major portion thereof, and it puts it on a business-like basis, which I think we will agree is a progressive step for agriculture and the Nation. The farmers, as you all know, face everything in the world in the matter of adversity. Weather is a known uncertainty and we have no assurance that the seasons to come will be as kind to agriculture as the ones immediately past. Crop insurance is one thing we can make available to offset this natural disadvantage. It does not do a farmer any good to get a good price for his crop if he does not have anything to sell. Crop insurance and the fact that a fair price is assured the farmers are two of the big issues that I am certain are of the greatest importance to our farmers. We have something here that will help stabilize America. I hope the House continues to follow the trend in favor of crop insurance.

Mr. HOPE. Mr. Chairman, I yield 5 minutes to the gentleman from South Dakota [Mr. CASE].

Mr. CASE. Mr. Chairman, I should like to have the attention of the chairman of the committee to ask him a question about the operation of the bill. I should like to preface that, however, by calling attention to the fact that our experience in the Dakotas was not encouraging under crop insurance. The State of North Dakota started out in 1939 with 28,900 farms insured. The next year it went up to 30,448, but from that time on the number of wheat-insured crops dropped steadily, to 18,000 in 1941, 13,000 in 1942, and 11,000 in 1943.

In my own State of South Dakota in the first year, 1939, we had 10,644 farms insured for wheat. The next year it went up to 19,446, then it steadily went down, dropping to 12,585 in 1941, dropping further to 9,669 in 1942, and further yet to 4,888 in 1943.

In other words, the record of the Dakotas clearly shows that crop insurance as applied to wheat was going steadily out of favor. From the high in the second year it was tried it dropped to less than one-third or less than one-fourth of what it had been at the high.

As far as I could determine in talking with the farmers, the reason it was that they felt that the rate of premium was unfair and wholly out of relation to the benefits.

Now then, apparently, under this bill the Corporation will be given complete authority to fix the premiums for insurance at such rates as the Board deems sufficient to cover claims. I am wondering what hope the committee can offer to the farmers in the Dakotas, for instance, that the rates will be such that there will be any benefit for them.

Mr. FLANNAGAN. As I understand, the rates will be based upon past farm experience in that section.

Mr. CASE. That is what they told us before, and it always cost us so much more than we got out of it that the farmers just quit on it.

Mr. FLANNAGAN. Probably it was partly due to the fact that you were not offered a long-time policy. It was a policy from year to year; is that right?

Mr. CASE. I do not know as to that; I simply know that the record shows that there was a steady decline.

Mr. FLANNAGAN. During the years that the number decreased, did you have good crop conditions?

Mr. CASE. Will the program be administered locally through the triple-A program?

Mr. FLANNAGAN. Yes.

Mr. CASE. Will the triple-A offices be instructed to use any pressure or influence in securing signers for the insurance program?

Mr. FLANNAGAN. I should not think so.

Mr. CASE. It will not be related to their compliance or noncompliance with the regular triple-A program?

Mr. FLANNAGAN. It has no connection.

Mr. CASE. The gentleman thinks that offering a 3-year contract rather than a 1-year contract will offer a better chance to level out the rates in proportion to the benefits?

Mr. FLANNAGAN. I do. I am definitely of that opinion.

Mr. PACE. Mr. Chairman, will the gentleman yield?

Mr. CASE. I yield to the gentleman from Georgia.

Mr. PACE. The gentleman is more familiar with the conditions in his State than I am, of course, but I am advised that one of the reasons for the decline was that you had a very favorable moisture condition during those years, that the wheat farmers can tell before planting season, even, what the prospects are for a crop, and that when the weather conditions or the amount of moisture in the soil was favorable they did not take the insurance. I understand you had a 2- or 3-year period there when it was very favorable. The last decline came about because the 3-year contract was put into effect, and there were quite a number of the farmers who were not familiar with it and did not subscribe to it.

Mr. CASE. Of course, I notice that in such States as Missouri, Illinois, and Ohio the rates were so low that there was a great increase from year to year in the number of wheat farmers insured. I would like to have some assurance that the rates will be leveled out in proportion to a true and accurate crop history of the area concerned.

Mr. FLANNAGAN. That is certainly the intention of the committee in drafting this legislation.

The CHAIRMAN. The time of the gentleman has expired.

Mr. HOPE. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, I am approaching the consideration of this legislation on the theory that crop insurance is an experiment. The only way that we can find out whether it is going to work or not, is to give it a trial. I am further of the opinion that crop insurance is of so much importance to agriculture and will be such a great benefit to farmers that it



is worth spending some money and taking some time to ascertain whether it can be made a success. I do not know of anything which this Government can do for agriculture or for the farmers which will be of any greater benefit than to work out a sound system of crop insurance. The farmer is the only businessman who cannot insure the risks which he takes in the normal course of his business. Yet, he takes a greater risk than the proprietor of any other kind of business. We know that if we are going to have a system of all-weather crop insurance to cover all of the hazards of farming, it must be conducted by the Federal Government, at least in the experimental stage. So I am supporting this bill, as I have previously supported the efforts which have been made to work out a system of crop insurance. Now, there are those who have offered some sound objections to the legislation which has been on the statute books. Among them has been our colleague the gentleman from Illinois [Mr. DIRKSEN], who has been a consistent opponent of the program which has been in operation. The gentleman from Illinois [Mr. DIRKSEN] was not able to be present today, but I have in my hand a letter from him. I am not going to read all of it, but the gentleman from Illinois points out in this letter that this bill meets the objections which he has heretofore had to the crop-insurance program, and he concludes the letter with this paragraph:

This appears to me to be a sound approach, and if I am absent when the bill is taken up for consideration on the floor, you are authorized to say for me that I would support and vote for the Fulmer bill.

Now, there have been things said today, in opposition to this particular measure, on the part of those who for good reasons are still opposed to it, but I have not heard anything said today, or at any time, against the theory of crop insurance. I think that everyone admits crop insurance does offer a sound program, if we can make it work. The thing I want to bring to your attention right now is that this is probably the last chance any of us will have to vote for a crop-insurance program. By that, I mean, if this House should turn down this legislation today, which has been worked out after a great deal of thought and study on the part of the Committee on Agriculture and on the part of those of the Department who are interested in the matter and on the part of the representatives of farm organizations, if we turn down this measure, then I do not believe that the Committee on Agriculture of this present Congress, the next Congress, or any subsequent Congress would be justified in again bringing before this House a crop-insurance bill.

This bill does meet the real, substantial objections which have been made to the former program. It offers an opportunity for us to see if crop insurance can be made to work. I am sincerely hopeful that this House will approve this bill and give us a chance to work out what I believe, if successful, will be the greatest step which can possibly be taken to stabilize American agriculture.

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. HOPE. Mr. Chairman, I yield 5 minutes to the gentleman from Iowa [Mr. JENSEN].

Mr. JENSEN. Mr. Chairman, the Committee on Appropriations, of which I am a member, has been criticized to some degree today because of the action of some of its members a year ago. I think that the American people expect the Committee on Appropriations to weigh all these issues and to decide whether they think it is worth the money or not. We know that the administrative cost of crop insurance has been exorbitant. We weighed that against the benefits, and many of us voted against a continuation of crop insurance last year, I being one of them.

The bill that is before us now is a great improvement over the previous bill. I can see where it would not cost nearly as much money as the former bill did cost the taxpayers. So I have been battling with my conscience today considerably, after listening to this debate.

We have had many floods over the United States in many of the large rivers, especially on the Missouri River, where we have man-made floods, because of the fact that they have attempted to make the Missouri River navigable. Consequently they have created floods to such a degree that many of the people along the Missouri River are helpless and have lost their crops. I have finally come to the conclusion that I would like to vote for this bill if the amendment which the gentleman from Minnesota [Mr. ANDRESEN] will offer is agreed to. I understand the gentleman said he would offer an amendment to limit the administrative cost to 25 percent of the benefits derived by the farmers.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. JENSEN. I yield.

Mr. AUGUST H. ANDRESEN. The amendment that I propose to offer limits the administrative expenditures to a sum equivalent to 25 percent of the premiums collected.

Mr. JENSEN. I thank the gentleman for the correction. I hope the gentleman's amendment will be adopted, because that is certainly a fair amount to provide for administrative cost. Certainly 25 percent is sufficient. Under the previous bill we spent \$1.50, or \$2 for every dollar of benefits. Certainly that is not good business; so I hope that the amendment will be offered by the gentleman from Minnesota will be adopted in order that I can conscientiously support this bill. I am sure a great many other Members would feel the same way. I reserve, however, my judgment on this bill until the time to vote comes. As I say I have battled with my conscience here all day. I want to do the right thing but I am not so sure this is the right way to do it.

Mr. CASE. Mr. Chairman, will the gentleman yield?

Mr. JENSEN. I yield.

Mr. CASE. I was just going to express the hope that the gentleman would work

on his conscience a little more and get that 25 percent figure down somewhat. Twenty-five percent of the premium collected, strikes me as being too high a tax on the farmer to pay for administration.

Mr. JENSEN. I am satisfied it is, but it is at least six times better than the last one.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. FLANNAGAN. Mr. Chairman, earlier in the day I sought to yield time to the gentleman from Alabama, but he was not in the Chamber. I now yield 6 minutes to the gentleman from Alabama [Mr. HOBBS].

Mr. HOBBS. Mr. Chairman, if I may, I shall be glad to take 2 minutes, and only 2, of the time yielded me, and yield back 4.

From the beginning I have been cordially in favor of crop insurance, and am for the pending bill. I would like to discuss the merits, and answer the arguments that have been advanced contra. But I shall content myself if I may stress one fact. May I speak in behalf of the personnel of the crop-insurance program?

It seems to me that, as reflected in this debate, they are grievously misunderstood. I know them, as many of you do also. The criticism of them stems from the same old fallacious argument that a preacher should not preach the gospel if he takes money for his services. These men believe in crop insurance. They preach it from their hearts, as well as from their heads. They are investing their lives in this service, not for money, but to help farmers help themselves by pooling their interests, so that eventually, without cost to the Government, the many may by slight reduction of their profits, offset the losses of the few.

There is not a man in that office who could not make more money in private employment than he is making by working for the Government. They are outstanding men. They "know their stuff." They have done and are doing a good job—the best possible under the circumstances.

Mr. JENSEN. Mr. Chairman, will the gentleman yield?

Mr. HOBBS. I am glad to yield.

Mr. JENSEN. I wonder if the gentleman will not agree, however, that it is not necessary to send out a big sales force to sell something the farmer knows about already. The farmers all can read and write, or most of them. They can in my country at any rate. Instead of sending out a great sales force to prove to them that they have to take this insurance, that they should take it, it seems to me the farmers who want it will take it anyway. Understand, I am not criticizing the fine character of these salesmen, but I think there are too many of them on the Government pay roll.

Mr. HOBBS. I question the gentleman's thought that there are too many. No insurance sells itself. I may say to the gentleman from Iowa in answer to his observation that not a single insurance institution has been built without an adequate selling force of agents, that frequently seems too large. May I sug-



gest, also, that many young life insurance companies have found it necessary to pay agents 50 percent of the premiums collected.

If my information is correct, there has been more crop insurance written than life insurance, in the same period of time, by companies of a comparable age. I hope I make myself clear.

Mr. CHAIRMAN, 2,000,000 farmers paid \$52,000,000, or its equivalent, out of their own pockets for crop insurance. That is no small volume.

Mr. CASE. Will the gentleman yield?

Mr. HOBBS. I am delighted to yield to the gentleman from South Dakota.

Mr. CASE. It seems to me that the analogy of life insurance is not comparable because when you are dealing with life insurance you are dealing with a lifetime risk. If the gentleman wants to offer a comparable figure as to percentage or cost he should deal with fire insurance or something like that where you are dealing with an annual risk. The gentleman is not contending that better than 50 percent of the premiums paid on every fire-insurance policy is commission.

Mr. HOBBS. Of course, I would not. What I am saying is that this group here has done better than life insurance companies of the same age in their field. That is the only analogy I claim. I think it is analogous to fire insurance in that crop insurance has not the number of agents that you would expect for production of such volume in the fire-insurance field. These men in crop insurance are as hard working a group as there is in the Government.

Mr. JENSEN. I do not want to dispute the gentleman's figures.

Mr. HOBBS. I have no figures. I am shooting from the hip.

Mr. JENSEN. I am quite sure that the gentleman is shooting from the hip because certainly if the life-insurance companies or any other type of insurance company had the same kind of experience that we had in connection with this crop insurance for 4 years there would be no private insurance companies today. I am sure the gentleman knows that because they would have gone broke before they even got started.

Mr. HOBBS. I believe that just exactly the opposite is true. While many went broke, many survived. Practically all lost money during the first 5 years of their existence.

The CHAIRMAN. The time of the gentleman has expired.

Mr. FLANNAGAN. Mr. Chairman, I yield the balance of my time to the gentleman from Georgia [Mr. PACE].

Mr. HOPE. Mr. Chairman, I yield the balance of the time on this side to the gentleman from Georgia [Mr. PACE].

The CHAIRMAN. The gentleman from Georgia [Mr. PACE] is recognized for a total of 6 minutes.

Mr. PACE. Mr. Chairman, it seems to me that what the committee has requested the House to do today is what any group of businessmen would do. We have had a crop-insurance program which was unbalanced. The premiums were too low; the benefits were too high. Under that program it sometimes insured a profit. I am sure you will agree

that no insurance company could be successful in doing that. It offered in many cases an inducement to a man to abandon his crop on account of the fact he could gain more through the insurance than he could by completing the crop.

Mr. Chairman, the committee comes to you today and it strikes out that program and goes back to rock bottom. That is, it seeks to insure only the farmer's losses. That is, his investment in the crop and no more. That is exactly what a fire-insurance company does. Certainly you cannot purchase fire insurance on your home or on your barn that would pay you a profit. The most that the fire-insurance company offers is to protect your investment and oftentimes only a percentage of your investment.

My only interest in this bill, my only interest in crop insurance is to bring to the farmers of this Nation some feeling of security on the farm.

You have set up legislation that offers security to many millions of people who work in the factories of this Nation. You appropriated last year in excess of \$100,000,000 to match the retirement fund of Government employees. You have done that for 20 or 30 years, and you probably have put nearly a billion dollars in your Government employees' retirement fund.

I think it is the duty of the farmers of this Nation to produce the food and the fiber to feed and clothe the people. I think, on the other hand, there is some responsibility on the part of those who live in the cities, and on the part of Government, to see that those who must work in the fields and must produce food and fiber to feed and clothe the Nation are given that same assurance of security out on the farm. The latest proposal does not even cover the farmer. Word came to us the other day that they intend to include in the social-security program only the farmer-worker and the domestic servant, and the man who must pay the bill, the man who must take the chance, who must finance the crop, the man who must buy the farm, is today without any assurance of parity prices and crop insurance and has no conception of what the harvest is going to be when he plants his crop. Yet he, and he alone, in this Nation is the only man that must go into business with no conception of how he is coming out. Those who buy your farm commodities, those who process your farm commodities, they know when they buy your corn, when they buy your wheat, when they buy your cotton, what their profit is going to be. They know how the transaction will terminate. Yet those who feed this Nation, who produce the crops, must stand by and see the storms come. They must stand by and witness the long, dry season. They must stand by and see the insects ruin their crops; yet you tell me that with their responsibility to feed the Nation there is no responsibility on the people and on the Congress to bring to them some security on the farm.

It is for them, and for that reason, that I urge and the committee urges your approval of this bill,

The CHAIRMAN. The time of the gentleman from Georgia has expired. All time has expired.

The Clerk will read the bill for amendment.

The Clerk read as follows:

*Be it enacted, etc.,* That subsection (a) of section 508 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"(a) (1) Commencing with the wheat, cotton, and flax crops planted for harvest in 1945, to insure, upon such terms and conditions not inconsistent with the provisions of this title as it may determine, producers of wheat, cotton, and flax against loss in yield of such crops due to unavoidable causes, including drought, flood, hail, wind, frost, winter-kill, lightning, hurricane, tornado, insect infestation, plant disease, and such other unavoidable causes as may be determined by the Board. Such insurance shall cover a percentage to be determined by the Board not in excess of 75 percent of the recorded or appraised average yield of such commodities on the insured farm for a representative period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just: *Provided, however,* That such insurance coverage shall not exceed the investment in the crop based on the cost, as determined by the Board, of preparing the land, or labor, seed, planting, cultivation, disease or insect control, harvesting, ginning, hauling to market, fertilizer, irrigation, use of the land, and other applicable costs as determined by the Board. Such insurance shall not cover losses due to the neglect or malfeasance of the producer, or to the failure of the producer to reseed to the same crop in areas and under circumstances where it is customary to so reseed, or to the failure of the producer to follow established good farming practices. Insurance shall not be provided in any county unless written applications therefor are filed covering at least 100 farms or one-third of the farms normally producing the agricultural commodities authorized to be insured, except that insurance may be provided for producers on farms situated in a local producing area bordering on a county with a crop-insurance program. The Board may limit insurance in any county or area, or on any farm, on the basis of the insurance risk involved.

"(2) For the purpose of determining the most practical plan, terms, and conditions of insurance with respect to corn, tobacco, rice, peanuts, soybeans, sugar beets, citrus fruits, tame hay, and any other agricultural commodity, if sufficient actuarial data are available, as determined by the Board, to insure upon such terms and conditions not inconsistent with the provisions of this title, as it may determine, producers of such agricultural commodities against loss due to the unavoidable causes specified in paragraph (1) of this subsection. Insurance provided for any agricultural commodity under this paragraph shall be limited to producers in not to exceed 20 representative counties selected by the Board for a period of not more than 3 years, and shall be subject to the limitations and conditions provided in paragraph (1) of this subsection: *Provided, however,* That such insurance coverage may be the same as the insurance coverage provided in paragraph (1) of this subsection or may cover a percentage not in excess of 75 percent of the investment in the crop, determined in accordance with the provisions of paragraph (1) of this subsection. The Corporation shall report to the Congress the results of its operations as to each commodity under this paragraph."

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I offer an amendment.



The Clerk read as follows:

Amendment offered by Mr. AUGUST H. ANDRESEN: On page 3, line 6, at the end of line 6 insert "oats, barley, rye."

Mr. FLANNAGAN. Mr. Chairman, the committee accepts the amendment. The amendment was agreed to.

Mr. EDWIN ARTHUR HALL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. EDWIN ARTHUR HALL: On page 3, line 7, after "citrus", insert "and other."

Mr. EDWIN ARTHUR HALL. Mr. Chairman, if any crop is worth insuring, it is fruit. Not just citrus fruits as the bill now reads, but all kinds of fruits.

Up-State New York is one of the greatest apple- and grape-producing sections of the country. Those who grow these fruits undergo considerable risks. Some years their crops are total failures. Other seasons they lose considerable from storms, drought, and the cold.

The country can ill afford to allow the growers of these precious foods to be put out of business. They should be considered in any crop-insurance program.

In presenting this amendment, I do not speak for my own area alone, nor am I being sectional. The raisins, figs, pears, plums of California, the West, and South will be brought into this program. I know everybody will want to protect the Nation's fruit supply and in this interest, I am glad to see my amendment looked upon so favorably.

Mr. FLANNAGAN. Mr. Chairman, the committee will accept that amendment.

The amendment was agreed to.

Mr. BROWN of Georgia. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROWN of Georgia: On page 2, line 23, after "at least" strike out "one hundred" and insert "fifty."

Mr. FLANNAGAN. Mr. Chairman, the committee will accept that amendment.

The amendment was agreed to.

Mr. CRAWFORD. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CRAWFORD. On page 3, line 6, after "corn" insert "dry beans."

Mr. FLANNAGAN. Mr. Chairman, we will accept that amendment.

The amendment was agreed to.

Mr. LEMKE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LEMKE: On page 1, line 9, after the word "such", insert "growing, unharvested, unthreshed, or unpacked."

Mr. FLANNAGAN. Mr. Chairman, we accept that amendment.

The amendment was agreed to.

Mr. COLE of New York. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. COLE of New York: On page 3, line 7, after the words "sugar beets", insert "potatoes and other vegetables."

Mr. FLANNAGAN. Mr. Chairman, while I think the bill is broad enough to cover potatoes and other vegetables, we are perfectly willing to accept the amendment.

The amendment was agreed to.

Mr. SUMNERS of Texas. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, this is a proposition to extend the Federal power and, as I see it, with reference to a matter within the governmental capacity of the States. As I understand the provisions of this bill, it is not an arrangement under which there is to be a blanket insurance where any unfavored community, climatically or otherwise, can get any advantage. The people in the Dakotas, where they have droughts, and in my section where they have floods or droughts, each community is to pay for its own insurance and the cost of administration, maybe, as I understand the proposition. The average cost of insurance in each distinctive community fixes the premium cost. It is desirable, we are told, to get all the farmers in under this thing. This is typical of what is happening in America. We are getting everybody we can in under some agency or branch of the Federal power and dependent upon the Federal Government. That is the whole drift of things. I am convinced that it is a dangerous drift, that we must change the direction if we are to preserve our democracy. That is why I am taking these minutes of your time. The indications are this bill will pass overwhelmingly, but I feel this is an appropriate time to consider these matters.

Mr. FLANNAGAN. Mr. Chairman, will the gentleman yield?

Mr. SUMNERS of Texas. I yield.

Mr. FLANNAGAN. I would like to challenge that statement because under the provisions of this bill, if it becomes law, after a period of 3 years, the farmer pays the premium and if the premiums are not sufficient to pay off the indemnities, then the premiums are prorated.

Mr. SUMNERS of Texas. May I ask my friend if it is not a federally administered arrangement?

Mr. FLANNAGAN. It is.

Mr. SUMNERS of Texas. That is what I am talking about.

Mr. TABER. Mr. Chairman, will the gentleman yield?

Mr. SUMNERS of Texas. Let me go on a little.

Mr. Chairman, I ask unanimous consent that I may have 2½ additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. TABER. Is it not true that when these things are set up to be carried along, self-supported after 2 or 3 years, that that 2 or 3 years gets extended for 2 or 3 more and then 2 or 3 more?

Mr. SUMNERS of Texas. I hope my friend will permit me to continue my line of thought instead of undertaking to answer questions.

I think, Mr. Chairman, this is a very serious matter. This general drift toward Federal power, the power of the Federal dollar, and the might of Federal administration. We are continually complaining about the extension of Federal power. The States could do this job. Insofar as the scheme of this bill is concerned, it is not contemplated that the people of any States in the long run will draw a single cent from the Federal

Treasury except what is put there by its own people, less their split in the Federal contribution. Is that not right?

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. SUMNERS of Texas. Is my statement wrong?

Mr. POAGE. I think it is. This bill does not divide it up into 48 different funds. If the gentleman were correct, there would be 48 different funds, of which most of them would be broke.

Mr. SUMNERS of Texas. I cannot yield any further.

Mr. POAGE. The gentleman wants to know what is in the bill.

Mr. SUMNERS of Texas. I know what is in the bill. I know that you contemplate that each of these drought-stricken areas or flood-destroyed areas is to pay its own premium in that district. Is that right?

Mr. POAGE. No; that is wrong.

Mr. SUMNERS of Texas. The bill provides, beginning line 3, page 2, that such insurance shall cover a percentage to be determined by the Board, not in excess of 75 percent of the recorded or appraised average yield of such communities on the insured farm for a representative period taking in consideration average yield of farms in the same area subject to the same conditions which, as I read it, is a matter of local adjustment, taking into consideration local susceptibility to droughts, floods, and so forth. My point is why could not the States do that if it is desirable. If the State would have to pay out more in a given year than it took in, it would recoup in other years when it took in more than it put out unless the actuary made a mistake in figuring averages.

Mr. ZIMMERMAN. Mr. Chairman, will the gentleman yield? Is this not just like a fire insurance business? Each house has a separate rating, but each State is not put into a pool by itself.

Mr. SUMNERS of Texas. That is right. I am right in my statement, because there are communities where you have more floods and more droughts. That is true. Any community that is subject to a hazard which other communities do not have, according to the provisions of this bill as I understand it, pays a higher premium.

The point I am trying to emphasize is when are we ever going to establish States in the doing of the things within their governmental capacity unless we begin; unless we stop extending Federal power when the States have the power to do the job? When are we ever going to get away from this Federal Government? When are our States ever going to acquire the ability to govern unless as a people we put our States to the responsibility of dealing with these things that are within their own governmental capacity? Fifty years ago nobody would have offered this as a proposition that the Federal Government should deal with. There is not a single provision in the American Constitution that puts this responsibility on the Federal Government. We have gone on and on toward Federal extension of power until we no longer draw a distinction between Federal power and State duty. I do not say this in any lecturing sense. I do not deny my own responsibility, but it is get-



ting mighty dangerous if we hope to preserve a democracy in this country.

The result is that we are taking from these States the necessity to deal with these things within their governmental capacity. The only way they can preserve that capacity is to use it. I do not want to be offensive, but we are destroying the States by relieving them from doing what they must do if they are to be and remain sovereign, respected, responsible agents of general government. There is no use complaining of the bureaucratic conduct of our bureaucracy—it is natural—or of the fact that we are becoming a bureaucracy if we concentrate power here which only a bureaucracy can exercise for the States or the habitat of our democracy. A democracy cannot function through the sort of governmental organization we are building upon the ruin of an independent States' structure. When we destroy the governmental capacities of the States, and we do it if we relieve them of the doing of those things within their capacities, then we have got to abandon the democratic system of government. This running up here to Washington for everything because the States would have to use their governmental muscles is not only destroying the efficiency of State government, but it is destroying the governmental capacity of the people. There is a great deal of difference between the sense of responsibility and the power and effort of the private citizen when a matter is in the States, than when it is moved up here.

If any States do not now have the capacity to deal with the drought problems and other hazards within their own communities, then we should hold our States to that responsibility until they develop that ability. The fact that it may be more difficult to carry out a governmental venture in a State where the people are watching than away off up here in Washington where we can cover up mistakes with borrowed money, is no argument in favor of moving the thing to Washington. If we run in ahead of State responsibilities, as we are accustomed to doing, when do we expect the States to begin to do their business, to gain strength by the effort and to assume the responsibilities of general government so that the Federal organization can be stripped down to Federal duties, and the Federal Government can then operate under laws enacted by the Congress instead of directives promulgated by an appointed personnel?

We know, as Members of Congress, that we have accumulated here in Washington a total of governmental power beyond all known capacity to comprehend. As a matter of fact, insofar as the details of government policy are concerned, we hardly know what it is about. In all deference, I want to tell you Members of Congress we confront something more important in this bill than crop insurance. Ours is the responsibility of insuring if we can the possibility of democratic government operating in America. That is what we confront. In my view that is the big question in this proposition right here. I do not mean it would be determinative one way or

the other, it is an important trend. I have not heard a single man get on this floor and say that this thing we are attempting to do is beyond the governmental capacity of the States. It may not be so easy. It may be difficult. Dealing with difficulties though is what increases capacity. That sort of thing alone is what would make our States strong and virile and capable of being our agents of general government. Like individuals States gain capacity by doing difficult things. We either make them strong and virile and sovereign and keep them that way, as they were intended to be and as they are adapted to be, or we go the way of the other democracies which chose the easy way and are no more.

That would have been required of our States in other days when, as a people, we really believed in the sovereignty of the States and in the people and their capacity to govern. We Democrats and Republicans—I do not claim a perfect score; I do not parade myself; I share in whatever blame there is, but that does not keep me from being certain we have got to change our policy if we are to preserve our democracy, and I take my full share of the blame for what we have done to this democracy. I do not say this bill is determinative, but I respectfully declare that the direction in which it moves us is determinative. We have already gone far. We do not consider now in this chamber whether or not a thing proposed is within the governmental responsibility of the Federal Government or within the capacity of the States, before we bring in a Federal law dealing with it. But as a matter of fact considering our structure of government, when we come to deal with a problem of this sort the big question, it seems to me, is whether or not we are moving more power into this great big Federal bureaucracy. There is nobody who will deny that we are proposing to create another bureau, more people on the Federal payroll. This is what is to be determined by the Board, under this bill, the cost of preparing the land, labor, seed, planting, cultivation, disease or insect control, harvesting, ginning, hauling to market, fertilizer, irrigation, use of the land, and other applicable cost, as is shown on page 2, beginning at line 12. If we keep this up soon we will have men snooping around every farm in America and the people paying for it.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. POAGE. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, I see there is some misapprehension as to what this bill actually contains. This bill does not set up 48 insurance agencies; this bill sets up 1 insurance agency and only 1. The bill does provide that the premiums charged shall be in proportion to the risk. This is exactly what fire insurance companies require. The rate in each city in Texas is not the same for fire insurance because our insurance commission, and I am sure the insurance commissions of the other States would do likewise, requires that the rate shall be in proportion to the risk. The risk

naturally is greater in some communities than in others, and premium based on risk is what is provided under the terms of this bill; the rate will be higher in certain communities than others; where the risk is greatest the rate is highest. But the risk is spread over all of the participating farms in the United States, and that as I understand it is the fundamental of insurance. Insurance is nothing in the world but a spreading of the risk; that is all there is to insurance. For insurance to be sound the company must take in by way of premiums as much as it pays out by way of benefits; consequently there is no profit in insurance as such. Practically all insurance companies operate for a profit and charge in addition to the necessary funds to carry the losses an amount sufficient to pay a profit either in the form of dividends to stockholders, or salaries to officers and refunds to policyholders, but the actual cost of insurance itself is merely the loss paid, plus the actual operating expenses. A man could carry his own insurance if his property were sufficiently spread and if his spread were sufficiently varied so that the losses would not be likely to occur at one time and in one place. It is just as cheap for him to carry his own insurance under such circumstances as it would be to buy it. So it would be with individuals on the farm. The one fundamental principle of insurance is the spreading of the risks. That is exactly what this bill does. It spreads the risk to all the farms in all the 48 States and not simply to the farms of 1 State as the gentleman from Texas erroneously assumed it does.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield.

Mr. COOLEY. Does not the bill provide for the creation of only one reserve?

Mr. POAGE. That is all, only one reserve, and all of the payments are out of that one reserve. Should every farm in New Mexico in a certain year have a total loss, the reserve would be adequate to pay it, the income would be sufficient to meet it from the rest of the United States. But if you establish this on the basis of 48 separate States some of them would be broke all the time, as we have learned from experience in the past.

Mr. HOPE. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield.

Mr. HOPE. The gentleman from Texas [Mr. SUMNERS] suggested we could have this operate under 48 different State set-ups; but did we not try that with the guaranty of bank deposits? And did we not find that the spread was not sufficient under such a set-up? Is there not a comparable proposition here?

Mr. POAGE. That is right.

Those who have opposed this were not seen here opposing the bank guaranty law. The bank guaranty law did the same thing when it was before this House and the voices who oppose this bill were silent when the bank guaranty law was before us. And that bill actually took from the States an agency that many of the States were then operating and placed it in Federal hands. This, on the other hand, is a function that the States



have not seen fit to undertake. They have hesitated to undertake it because of the very danger of separating it into 48 agencies; consequently you are not now taking something away from the States. On the contrary, we are doing something that the States have not seen fit to undertake.

Mr. HILL. Will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Colorado.

Mr. HILL. I would like to straighten out another statement that has not squared with the facts. This bill was passed out of our committee long before election.

Mr. POAGE. That is right. I believe it was reported about June 2, 1944.

Mr. HILL of Colorado. When they say that the election had something to do with this bill and that we went home to see what our constituents thought about it, that is not according to the facts, because this bill was passed out of the committee practically unanimously before election.

Mr. POAGE. That is right. This is not a death-bed confession.

The CHAIRMAN. The time of the gentleman has expired.

Mr. POAGE. Mr. Chairman, I ask unanimous consent to proceed for 2½ additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. SUMNERS of Texas. Will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Texas.

Mr. SUMNERS of Texas. Is it not contemplated under this scheme, for instance, that Texas on the average shall pay for the losses in Texas?

Mr. POAGE. It is hoped that the premiums collected in Texas will be sufficient to meet the losses that occur in Texas, but payments in Texas are definitely not dependent on the collection of a like sum in premiums in Texas.

Mr. SUMNERS of Texas. Why do you have these changes and variations then in premiums?

Mr. POAGE. The rate would unquestionably be different in different parts of Texas. For instance, the rate would be different on the high plains of Texas from what it would be in Dallas County, just as the fire-insurance rate is different in Lancaster from what it is in the city of Dallas.

The rate will not vary according to State line but according to climatic conditions and the possibility of loss.

Mr. SUMNERS of Texas. Is it true that Texas could not operate a crop-insurance program?

Mr. POAGE. Possibly Texas could, but the gentleman and I come from a State that is fortunately situated. It is the largest State in the Union, in area and agriculturally, and possibly we could successfully operate a crop-insurance system. There are certain life-insurance companies in Texas, one in the gentleman's own city, that operates very successfully in that State and confines its business exclusively to Texas. But there are other States that are not so

fortunately located. For instance, let us take the farmers in Rhode Island, a small State. One storm might prove disastrous to every farmer in that State, and could wipe them all out. Whenever you set up an insurance system that allows one disaster to wipe out the entire reserve you have an unsound insurance system, because there is nothing to insurance except the spreading of the risk. This bill spreads the risk.

In counterdistinction to the existing law this bill takes the gamble, as far as the Government is concerned, out of crop insurance. It also ceases to be a proposition where a man can drop a quarter in and hope to hit a jackpot. He cannot make a profit out of this program; he cannot speculate on this and hope to make a profit because he can never get back out of this bill more than he has put into his crop. Insurance ought to be merely a protection rather than an opportunity to speculate in connection with some unearned profit. That is what the old bill allows and what this one denies. This bill allows a farmer to spread his risk all over the United States, but it does not let him make money off his fellow farmers or off the taxpayers by collecting more than he had lost. The present law allows speculation. This bill gives only insurance.

The CHAIRMAN. The time of the gentleman has expired.

(Mr. SUMNERS of Texas asked and was given permission to extend his own remarks in the RECORD.)

Mr. EDWIN ARTHUR HALL. Mr. Chairman, I ask unanimous consent to extend my own remarks in the RECORD at the point at which my amendment was agreed to.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. TARVER. Mr. Chairman, I offer a motion which I send to the Clerk's desk.

The Clerk read as follows:

Mr. TARVER moves that the Committee do now rise and report the bill back to the House with the recommendation that the enacting clause be stricken out.

Mr. TARVER. Mr. Chairman, in view of the fact that the agreeable and affable chairman of the committee, the gentleman from Virginia [Mr. FLANNAGAN] has accepted every amendment which has been offered so far, I am offering this one in the hope that he may also accept it. I rise to draw the attention of the chairman of the committee to my amendment. I sincerely hope that he will not make an exception in my case but will also accept the amendment I have offered.

Mr. FLANNAGAN. Mr. Chairman, in answer to the distinguished gentleman, I might say that I have very high regard for him, but I also appreciate that he has a very keen sense of humor. I think he is trying to demonstrate to the House that he still has that sense of humor. We have accepted various amendments, it is true, but they have been in the general interest of the bill and we thought that we should accept them.

Mr. TARVER. May I inquire whether it is the gentleman's purpose to refuse to agree to any amendment which may be offered?

Mr. FLANNAGAN. We will refuse to agree to any amendment that we do not think should be accepted.

Mr. TARVER. I regret that the chairman makes an exception in my case. As far as I have observed, during the pendency of this bill both before the committee and in the House, all members who had amendments to propose have met with a cordial reception upon the part of the gentleman from Virginia, in charge of the bill here. So far, all of these amendments have been accepted. So far as the statement of the chairman indicates, it is probably his purpose to accept all other amendments which may be offered. Therefore, I regret that an exception is to be made in the case of my own amendment, pending on the Clerk's desk. I sincerely hope the House may determine that that amendment also may be accepted.

Mr. Chairman, it is manifest from the procedure which has been had in connection with this bill that the purpose is not so much to work out a sound program of crop insurance for the benefit of the farmers, but that it is to devise some ways and means by which this useless Federal Bureau may be continued. The language of the bill, it appears, so far as it is now before the Committee of the Whole, really does not matter. Amendments have been accepted and other amendments will undoubtedly be agreed to. The form of the matter that will be contained in the bill after its final passage in the House does not appear to be material. The only thing that is material is the continuance of this useless organization at tremendous expense to the taxpayers of this country. If gentlemen believe in the arguments which have been advanced from time to time during the last several years with regard to the abolition of useless Federal bureaus, I certainly hope in all seriousness that they will support the motion which I have just submitted and not reestablish this one.

Mr. FLANNAGAN. Mr. Chairman, I cannot be persuaded that the gentleman from Georgia [Mr. TARVER] offers his amendment in all seriousness. This is an important piece of legislation. It has been brought before the House after full hearings and careful consideration. If the gentleman's motion carries it simply means the death of crop insurance for, to say the least, years to come. I do not believe the gentleman himself would like to see such a thing happen. I am confident that this House is not going to let such a thing happen.

It is my purpose to move that the Committee rise at the conclusion of the vote on the pending amendment, and I hope that overnight the distinguished gentleman from Georgia [Mr. TARVER] will use that great brain of his, see the error of his way, and join hands with us tomorrow in giving the farmers of America a crop-insurance program. I know that he is a friend of the farmers and I know that he wants to do the right thing. Think it over, Judge.



Mr. WHITTINGTON. Mr. Chairman, will the gentleman yield?

Mr. FLANNAGAN. I yield to the gentleman from Mississippi.

Mr. WHITTINGTON. Is it not a fair statement that the bill under consideration presents the concrete proposition as to whether or not we shall continue under existing law or whether we shall amend the existing law to perfect the Crop Insurance Act?

Mr. FLANNAGAN. That is right.

Mr. WHITTINGTON. Furthermore, with respect to the amendments that have been agreed to by the committee on the floor, is it not fair to say that under the language of the section under consideration, for the purpose of experimental investigations, any other agricultural commodities, if sufficient actuarial data are available, are included, and the mere naming of them adds nothing whatever to the terms of the bill?

Mr. FLANNAGAN. That is absolutely true.

Mr. WHITTINGTON. For that reason, the gentleman accepted the amendments?

Mr. FLANNAGAN. That is the reason we accepted the amendments.

Mr. Chairman, I ask for a vote on the motion offered by the gentleman from Georgia [Mr. TARVER].

The CHAIRMAN. The question is on the motion offered by the gentleman from Georgia [Mr. TARVER].

The motion was rejected.

Mr. FLANNAGAN. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. SPARKMAN, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 4911) to amend the Federal Crop Insurance Act pursuant to House Resolution 605, had come to no resolution thereon.

HON. JAMES DOMENGEAUX

The SPEAKER laid before the House the following communication from the Clerk of the House:

NOVEMBER 21, 1944.

The honorable the SPEAKER,

House of Representatives.

SIR: The certificate of election in due form of law of Hon. JAMES DOMENGEAUX as a Representative-elect to the Seventy-eighth Congress from the Third Congressional District of the State of Louisiana, to fill a vacancy in that district, is on file in this office.

Very truly yours,

SOUTH TRIMBLE,

Clerk of the House of Representatives.

#### EXTENSION OF REMARKS

Mr. JOHNSON of Oklahoma. Mr. Speaker, I ask unanimous consent that my colleague the gentleman from Oklahoma [Mr. WICKERSHAM] be permitted to revise and extend his remarks on the pending crop-insurance bill.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

Mr. WEICHEL of Ohio. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on two matters.

The SPEAKER. Is there objection to the request of the gentleman from Ohio? There was no objection.

[The matter referred to appears in the Appendix.]

Mr. DURHAM. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include a speech by Dr. Archibald Henderson on the Revolutionary War Governor, Thomas Burke.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

Mr. HOBBS. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made today on the pending bill.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

#### PARTICIPATION OF THE TWENTY-SEVENTH (NEW YORK NATIONAL GUARD) ARMY DIVISION IN THE BATTLE OF SAIPAN

The SPEAKER. Under a previous order of the House, the gentleman from New York [Mr. FAY] is recognized for 20 minutes.

Mr. FAY. Mr. Speaker, at the opening of the session today, I introduced the following resolution:

*Resolved*, That the Committee on Military Affairs of the House is authorized and directed to conduct an investigation for the purpose of ascertaining the extent to which, and the circumstances under which, false or misleading reports have been published and circulated with respect to the character and circumstances of the participation of the Twenty-seventh (New York National Guard) Army Division in the Battle of Saipan.

The committee shall report the results of its investigation to the House at the earliest practicable date during the present Congress.

For purposes of this resolution, the committee is authorized to sit and act during the present Congress at such times, whether or not the House is sitting, has recessed, or has adjourned, to hold such hearings, to require the attendance of such witnesses, and the production of such books, papers, documents, and to take such testimony, as it deems necessary. Subpenas may be issued under the signature of the chairman of the committee or by any member designated by such chairman, and may be served by any person designated by such chairman or member.

In the September 18 edition of Time magazine there appeared an article attributed to a man named Sherrod in which the marine version of the Battle of Saipan was narrated. In part it read as follows:

The marines believe that their forge-ahead tactics cost less in lives than trying to cut off the enemy's tail by inches. (High marine casualties are due to the fact that marines are beachhead assault troops, always given the toughest assignments.) But the relief of Ralph Smith, according to the marine version, had nothing to do with tactics. By

the eighth day of the Saipan battle the Second and Fourth Marine Divisions had advanced rapidly on each side of the island. Then they had to wait, because two regiments of the Twenty-seventh Army Division—with battalions faced in three directions, unable even to form a line—were hopelessly bogged down in the center. The third regiment of the Twenty-seventh, meanwhile, had failed dismally to clean out a pocket of Japs in the southeast corner of the island. Although terrific artillery barrages were laid down in front of them, Ralph Smith's men froze in their foxholes. For days these men, who lacked confidence in their officers, were held up by handfuls of Japs in caves. When it began to look as if what had been gained might be lost, Fourth Marine Division troops even moved in front of a sector of the Twenty-seventh's line to save it. From the marine point of view, Gen. Ralph Smith's chief fault was that he had long ago failed to get tough enough to remove incompetent subordinate officers. On the ninth day Ralph Smith was relieved (technically, for disobeying an order to attack), and Maj. Gen. Sandorff Jarman, who had come along as Saipan's post-battle commander, took over the Twenty-seventh temporarily, fired several officers, including a regimental colonel. Thereafter the Twenty-seventh performed fairly well until its greenest regiment broke and let some 3,000 Japs through in a suicide charge which a marine artillery battalion finally stopped, at great cost to itself.

Between these versions one thing was clear: When field commanders hesitate to remove subordinates for fear of interservice contention, battles and lives will be needlessly lost.

These high-sounding words mean just one thing in any soldier's mind—that the intention to convey was that the division lacked courage and was yellow.

This story is an absolute untruth, and I have it from men who led battalions in this engagement and who were not reporting it miles behind the lines, but were up there in the front giving their lives and limbs to capture this very important island.

As a member of the One Hundred and Sixty-fifth Infantry—the Fighting Sixty-ninth of New York of World War No. 1—I would be remiss in my loyalty to my regiment and the traditions it holds if I did not demand the immediate publication of the reports already gathered concerning this entire engagement. The Old Sixty-ninth has more battle rings on its flagstaff than any other regiment in our land. It has been in every battle of our country since the Civil War and has been commanded by men like General Duffy, Gen. "Wild Bill" Donovan, Gen. Alex E. Anderson, and Col. Gerard Kelley, a product of my district and a graduate of West Point, who is a fearless leader, already wounded at Saipan, where he led our regiment, having taken command when Col. Gardner Conroy was killed by a sniper's bullet in the capture of Makin.

We do not have men who freeze in fox holes, neither does the rest of the regiments from New York State which comprise the Twenty-seventh Division.

This article has brought to my personal attention the plight of fathers and mothers whose sons lost their lives in this noble victory and who now are told that their men were bogged down when in fact they wrote some of the most glorious pages of history for posterity.



Let me read you a letter from Colonel Kelley and you will readily understand how lies of this kind can affect fighting men:

HEADQUARTERS, ONE HUNDRED AND SIXTY-FIFTH INFANTRY,

*Somewhere in the Pacific, October 9.*

DEAR JIM: It's a great feeling getting back with my gang. My pain was negligible compared to the worry lest they evacuate me so far back that I would lose the regiment. The Lord and my superiors were good and here I am, raising hell with the troops and quite happy about it all.

I say I'm happy. That's generally true. However, when I consider the libelous publicity that recently has been permitted to be published, concerning the division in the Salpan operation, I'm downright mad.

I refer to the September 18 issue of *Time*, which carried an article entitled "The Generals Smith." It came to our attention about a week ago. The article is attributed to one Sherrod, a heretofore unknown reporter. He was never seen by members of the regiment during the action. His coverage of operations out this way has been notoriously inaccurate, in a not too subtle effort to belittle Army accomplishments. As the publication he represents bears a similar reputation, his stories aroused little more than a scornful comment when read by the troops who participated.

However, this recent attack cannot pass unnoticed. No one, be he protected by one or all of the freedoms we strive to preserve, can characterize the members of this regiment or this division as "yellow" and go unchallenged.

It is a sad commentary on the fairness and sportsmanship of the "American way" that we who should be the last to be distracted from our "total war effort" must turn eastward and defend and justify ourselves. We must do it now. If not for ourselves, it's our bounden duty to justify our brave dead who cannot defend themselves. Our crippled remain mute evidence that we did not "freeze in our fox holes."

The regiment was called ashore the second night because it was needed badly. We were followed by the rest of the division. Within 26 hours after we relieved a marine unit, we took Aslito Airfield. Within 3 days we had swept clear across the island. A few days later the regiment, as a part of the division, moved north and again relieved the marines against what turned out to be the toughest enemy position on the island. The marines to whom I talked, freely expressed their gratitude at being withdrawn. Our progress was slow but we were never stopped. On the contrary, the marines who had been moved to our right flank, where the going was much easier, were highly complimentary. A most cordial and mutual respect was demonstrated throughout with the marine enlisted men and the officers who were actually fighting. I mention this because the many incidents similar to these, established what I believe to be the true marine version.

The regiment was in actual contact with the enemy from the moment it landed until several days after the battle was declared ended. All this without relief. It was in the fight longer than any regiment on the island in spite of the fact that we landed on the second night. On two distinct occasions the commanding general of the landing forces, Lt. Gen. Holland M. Smith, extended his congratulations to the regiment, the first after our speedy capture of the airfield. On that occasion he sent his "well done" to the regiment through our division commander who visited my command post and delivered the message personally.

After the battle was over Gen. Holland Smith came up to the command post and directed Colonel Hart (who had assumed

command after I was wounded and evacuated) to extend his congratulations to every officer and man of the regiment.

The bold lies published in the story literally amazed us. We had returned satisfied that we had done our duty in a very creditable manner. Our fatigue, the dirt, our wounds, the going without proper food, the lost companions, and many other things, that you know only too well, were minimized in our minds by the natural expectation that we had accomplished something for which our beloved country would feel grateful.

We who are older and more experienced, and who have acquired patience to await the unprejudiced verdict of history can detect the unprincipled and disgusting efforts of *Time* to increase circulation by inciting controversy, thereby profiting by the aroused public interest. At the same time it is our responsibility to maintain the high state of morale of the men with whose welfare we are charged. Our men being younger and not used to such treatment are not content to await the justice that is inevitable but sometimes slow.

It is this that prompts me to write you on this subject. Beyond the common fairness, which is our due, is the greater need to reassure these brave young men before they go into their next battle that our friends and loved ones, particularly those honored with the responsibility of high Government office, are prompt to right such wrongs.

A mere retraction is not enough. We have suffered before from inaccurate and scanty descriptions of our accomplishments. You and I know this regiment and this division need no gaudy publicity. However, suppression of the truth of the past will add credence to the lies of the future and the calumny of the present. We will profit by a complete study of history to date.

Please see PAT KEARNEY, of Gloversville. I understand he is quite incensed over this matter. PAT is an old friend of mine and a former regimental commander of another regiment of this division. I hope you can find it expedient to render mutual support in your efforts to correct this situation.

Please remember me to Hazel and the rest of your family. I look forward to many pleasant meetings on my return.

Sincerely,

JERRY.

My fellow Members, let me read you a speech broadcast by General MacArthur from the Philippine Islands in 1940 to a banquet at the Waldorf-Astoria of the Sixty-ninth, now in the Pacific, and the veterans of the old Sixty-ninth who served in the Rainbow Division in France under General MacArthur:

No greater fighting regiment has ever existed than the One Hundred and Sixty-fifth Infantry of the Rainbow Division, formed from the old Sixty-ninth Regiment of New York. I cannot tell you how real and how sincere a pleasure I feel tonight in once more addressing the members of that famous unit. You need no eulogy from me or from any other man. You have written your own history and written it in red on your enemies' breast, but when I think of your patience under adversity, your courage under fire, and your modesty in victory, I am filled with an emotion of admiration I cannot express. You have carved your own statue upon the hearts of your people, you have built your own monument in the memory of your compatriots.

One of the most outstanding characteristics of the regiment was its deep sense of religious responsibility, inculcated by one of my most beloved friends—Father Duffy. He gave you a code that embraces the highest moral laws, that will stand the test of any ethics or philosophies ever promulgated for the uplift of men. Its requirements are for

the things that are right and its restraints are from the things that are wrong. The soldier, above all men, is required to perform the highest act of religious teaching—sacrifice. However horrible the results of war may be, the soldier who is called upon to offer and perchance give his life for his country is the noblest development of mankind. No physical courage and no brute instincts can take the place of the divine annunciation and spiritual uplift which will alone sustain him. Father Duffy, on those bloody fields of France we all remember so well, taught the men of your regiment how to die that a Nation might live—how to die unquestioning and uncomplaining, with faith in their hearts and the hope on their lips that we might go on to victory.

Somewhere in your banquet hall tonight his noble spirit looks down to bless and guide you young soldiers on the narrow path marked with West Point's famous motto—duty, honor, country.

We all hope that war will come to us no more, but if its red stream again engulfs us, I want you to know that if my flag flies again, I shall hope to have you once more with me, once more to form the brilliant hues of what is lovingly, reverently called by men at arms, the Rainbow.

May God be with you all until we meet again.

Gentlemen, I know the citizens of New York and our country will accept the judgment of General MacArthur rather than that of an individual who would create disorder among men fighting on the field of battle. Men whose one purpose is the preservation of our beloved America.

(Mr. FAY asked and was given permission to revise and extend his remarks.)

#### SENATE BILL REFERRED

A bill of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S. 1785. An act for the relief of Alex Wylie; to the Committee on Claims.

#### ADJOURNMENT

Mr. ZIMMERMAN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 15 minutes p. m.) the House adjourned until tomorrow, Wednesday, November 22, 1944, at 12 o'clock noon.

#### COMMITTEE HEARINGS

##### COMMITTEE ON IMMIGRATION AND NATURALIZATION

(Wednesday, November 22, 1944)

The Committee on Immigration and Naturalization will hold hearings on Wednesday, November 22, 1944, at 10 a. m., on public and private bills—unfinished business.

#### EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

2021. A communication from the President of the United States, transmitting supplemental estimates of appropriations for the fiscal year 1945, amounting to \$3,172,087.97, for the Department of State (H. Doc. No. 777); to the Committee on Appropriations and ordered to be printed.

2022. A communication from the President of the United States transmitting a supplemental estimate of appropriation for the legislative branch, United States Senate, for







DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE  
(Issued November 23, 1944, for actions of Wednesday, November 22, 1944)  
(For staff of the Department only)

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HOUSE

CROP INSURANCE. Passed, 254-16, with amendments H.R. 4911, to amend the Federal Crop Insurance Act (pp. 8458-64).

Agreed to amendments by: Rep. Lemke, N.Dak., to provide insurance for losses due to fire, excessive rain, snow, and wildlife, and to strike out the authority to determine "such other unavoidable causes" (p. 8458).  
Rep. Andresen, Minn., providing that after the crop year 1945, not more than a sum equivalent to 25 percent of the premiums collected in the preceding year (beginning calculation of premiums collected in the crop year 1945) shall be used for administrative expenses in any current year (pp. 8458-9).

Rep. Andresen, Minn., to provide for insurance for oats, barley, and rye (p. 8460).

Agreed to Rep. Flannagan's (Va.) request "that all amendments to subsection 2, of section 1, adding commodities, be consolidated and appear in the bill after the word 'hay'" in Sec. 1(2) and in Sec. 5 (p. 8460).

Rejected Rep. Smith's (Ohio) amendment to strike out the words "but for the first three crop years with respect to which insurance has been in effect on any crop after the enactment of this Act the payment shall not be reduced by more than 15 per centum of the amount of the approved claim." In support of his amendment Rep. Smith stated, "My amendment simply strikes out that provision which provides for taking care of these losses by the Federal Treasury." (p. 8459-60.)

Rep. Flannagan, Va., inserted a statement, "Essential Provision of H.R. 4911" (pp. 8462-4).

2. ROAD AUTHORIZATIONS. Agreed to the resolution providing for the consideration of H.R. 4915, the road-authorizations bill (pp. 8464-9).

The bill authorizes annual appropriations, for the first 3 post-war years, as follows:

Federal-aid highways, \$225,000,000  
Secondary and feeder roads (including farm-to-market roads), \$125,000,000  
Urban highways, \$150,000,000  
Forest highways, \$25,000,000 (including \$1,500,000 for Alaska)  
Forest development roads and trails, \$12,500,000  
National Park Service roads, trails, and parkways, \$9,250,000



3. APPROPRIATIONS. Received (Nov. 14) supplemental appropriation estimates for Federal Property Utilization, Procurement Division, for expenses incidental to disposition of surplus property under the Surplus Property Act of 1944, \$11,430,000, (H. Doc. 730); War Public Works (community facilities), \$15,000,000 (H. Doc. 735); War Department, Civil Functions, Flood Control, \$7,230,000 (H. Doc. 745). To Appropriations Committee.
4. BUILDINGS; COMMUNICATIONS. Received (Nov. 14) from the President a proposed provision that "other services", in the Public Buildings Administration appropriation language, shall be deemed to include teletype service and telephone switchboards or equivalent equipment serving one or more governmental activities in buildings in or near D. C. operated by PBA where such service is economical and in the interest of the Government; and that the appropriation shall also be available for the furnishing of quarters, maintenance, and teletype or other services on a reimbursable basis to any governmental activity and for expenses incident to moving any governmental activity in connection with the assignment, allocation, or transfer of building space. To Appropriations Committee. (H. Doc. 742.)
5. LATIN AMERICA. Received (Nov. 14) from the President a proposal to consolidate the 1944 and 1945 State Department appropriations for cooperation with the American republics. To Appropriations Committee. (H. Doc. 760.)
6. ADJOURNED until Friday, Nov. 24 (p. 8469).

SENATE

7. FLOOD CONTROL. Continued debate on H. R. 4485, the Whittington flood-control bill (pp. 8431-55). Agreed to Sen. Barkley's (Ky.) amendment to the committee amendment, to establish a policy of using existing Federal agencies for flood control projects, so as to limit the declaration of policy to the projects carried in this bill (pp. 8432). The committee amendment providing for the disposition of surplus electric energy by the Secretary of the Interior as modified by Sen. Bailey's (N. C.) amendment so as to provide for the complete coordination of such power with other power developments within a given area was carried over until Fri., Nov. 24 (pp. 8432-55).  
  
Agreed to Sen. Barkley's request to permit any Senator to speak only once on the Bailey amendment and limiting to 15 minutes the time which he may speak on the amendment (p. 8454).
8. COMMITTEE ASSIGNMENTS. Committee Chairmen were selected as follows (p. 8427):  
Agriculture and Forestry, Sen. Thomas, Okla.  
Patents, Sen. Pepper, Fla.  
Indian Affairs, Sen. O'Mahoney, Wyo.
9. SOCIAL-SECURITY TAXES. Sen. Vandenberg, Mich., spoke in favor of continuing the present social-security tax rate (pp. 8428-9).
10. NOMINATION. Confirmed the nomination of Brig. Gen. Frank T. Hines to be Retraining and Reemployment Administrator (p. 8455).
11. ADJOURNED until Fri., Nov. 24 (p. 8455).



# House of Representatives

WEDNESDAY, NOVEMBER 22, 1944

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Thou who art the bearer of life eternal, infuse us with the nobility of giving thanks—the wealth which smiles upon us, which breathes in the air and glows in the sanctity of happy homes. Give us the hand which helps, the heart which cheers, and the spirit to carry on through unrewarding toil with an unyielding trust that Thou wilt order all things aright; let our works magnify Thy holy name, O Lord, our strength and our Redeemer.

O Thou who hast been our help in ages past and our hope in years to come, we bow at Thy altar beseeching Thee to bless our Republic with the mercy of grateful hearts; praising Thee for deliverance from national peril, for abundant harvests of field and orchard, and for all the fruitage of our Christian institutions. O crown us with the spirit that makes the load a little less heavy with more courage to go into the world with deathless hope and with a deep belief in man and with boundless faith in a good God. Thou whose love and sympathy came from a rent in Thine own heart and saw the wheels of inhumanity grind the hungry and the poor to dust and death, may there be no need of inscribing on the heart of our country the sublime rules of Christian service. May we minister most devoutly to those on our battle lines and to those dear ones whose lives have lost their greatest joy.

Bring selfish lives from shadow-lands of loss

Into the radiance of the Saviour's cross,  
Where, in that gift, so precious, yet so lone,

Life finds its brotherhood and love its throne.

In our Redeemer's name. Amen.

## THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

## RESIGNATION FROM COMMITTEE

The SPEAKER laid before the House the following resignation, which was read by the Clerk:

NOVEMBER 16, 1944.

HON. SAM RAYBURN,

Speaker, House of Representatives:

In view of the fact committee may begin further investigations which I could not later on participate in, believe best interests served if new man now entered into hearings. I therefore tender my resignation for your consideration as member Select Committee House of Representatives to Investigate Federal Communications Commission.

Sincerely,

WARREN J. MAGNUSON.

The SPEAKER. Without objection, the resignation will be accepted.

There was no objection.

## APPOINTMENT TO COMMITTEE

The SPEAKER. Pursuant to the provisions of House Resolution 21, Seventy-eighth Congress, the Chair appoints as a member of the Select Committee to Conduct a Study and Investigation of the Organization, Personnel, and Activities of Federal Communications Commission the gentleman from Tennessee [Mr. PRIEST] to fill the existing vacancy thereon.

## ADJOURNMENT OVER

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Friday next.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

## PERMISSION TO ADDRESS THE HOUSE

Mr. D'ALESSANDRO. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Maryland?

There was no objection.

## THE LATE CAPT. JOHN S. BALDWIN

Mr. D'ALESSANDRO. Mr. Speaker, with deep regret, I wish to call to the attention of the membership of the House the loss sustained by our colleague the Honorable H. STREETT BALDWIN, of the Second District of Maryland, whose son was killed on November 11, 1944.

Capt. John S. Baldwin, who was a pilot, was taking a special course on the B-29's, and expected to go to the South Pacific in the near future. He was killed in an airplane accident at Clovis, N. Mex. The plane was out beyond the airfield when the trouble started, and while they could have bailed out they refrained from doing so in the hope that they could land the plane safely. However, in landing the plane turned over and burst into flames and 15 men were killed.

Another son, Lt. Harry W. Baldwin, was killed in the Tunisian theater of war on April 16, 1943.

I know that the Members of the House join with me in extending to our colleague and Mrs. Baldwin their deepest sympathy.

## EXTENSION OF REMARKS

Mr. LANE. Mr. Speaker, I ask unanimous consent to extend my remarks on two matters and to include two radio broadcasts.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

[The matter referred to appears in the Appendix.]

## PERMISSION TO ADDRESS THE HOUSE

Mr. PRIEST. Mr. Speaker, I ask unanimous consent that on December 7, after the reading of the Journal and the disposition of the legislative program and any other business on the Speaker's desk, I may address the House for 20 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

## SHORTAGE OF WAR SUPPLIES

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to proceed for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, some time ago General Marshall gave pictures of what was being done in the war effort. It is high time he came again. We now hear a great deal about the shortage of supplies and the shortage of war matériel. To my mind, it is inexcusable. After the Army landed on the Normandy beaches on D-day they saw what the fortifications were, they saw the thickness of the walls of the tunnels at Cherbourg and elsewhere. There is one thing that should be done. General Marshall should come before us so that the Congress can tell the people of the country what our military situation is at the present time. The situation needs explaining. The people of our country have lost faith. General Eisenhower prophesied at the end of last summer that the war would be over shortly. Mr. Churchill said last autumn that the war would be over soon. Obviously it is far from over. Something went wrong and General Eisenhower and the administration at Washington were strangely silent. You cannot blame the people for not continuing in war work if they think the war is practically over. For weeks after D-day General Eisenhower was strangely silent and Mr. Churchill in the House of Commons was blaming the press of the United States for their statements, forgetting his own. I said last September at London, England, that there was no excuse for delay in sending materials of war to the fighting fronts. I still make that charge.

I hope, Mr. Speaker, you will extend an invitation to General Marshall to come before us and give us the whole picture. It is the only way by which we will get enough labor, in my opinion, to pursue the war to a successful end and quickly. Many lives are being lost because of the delay in getting the materials of war to our fighting forces. If you could see as I did the injured and dying in the hos-



pitals, you would know exactly what I mean.

The SPEAKER. The time of the gentlewoman from Massachusetts has expired.

#### EXTENSION OF REMARKS

Mrs. NORTON. Mr. Speaker, under leave to extend my remarks, I ask unanimous consent to include an address by Mrs. Charles W. Tillett, assistant chairman, Democratic National Convention 1944; also an address by HELEN GAHAGAN DOUGLAS, national committeewoman from the State of California, and an editorial from the News and Observer of North Carolina.

The SPEAKER. Is there objection to the request of the gentlewoman from New Jersey?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. PLUMLEY. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include an article by Bill Cunningham.

The SPEAKER. Is there objection to the request of the gentleman from Vermont?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. MASON. Mr. Speaker, I ask unanimous consent to extend my remarks and include an article by Raymond Moley.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. COSTELLO. Mr. Speaker, I ask unanimous consent to extend my remarks and include an address given by Mr. W. C. Mullendore, president of the Los Angeles Chamber of Commerce.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

#### PERMISSION TO ADDRESS THE HOUSE

Mr. HOFFMAN. I ask unanimous consent that on Friday next at the conclusion of the legislative business and any other special orders I may proceed for 15 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

#### FEDERAL CROP INSURANCE ACT

Mr. FLANNAGAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 4911) to amend the Federal Crop Insurance Act.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 4911, with Mr. SPARKMAN in the chair.

The Clerk read the title of the bill.

Mr. LEMKE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LEMKE: Page 2, line 1, after the word "lightning", insert the words "fire, excessive rain, snow, wildlife."

Mr. FLANNAGAN. Mr. Chairman, will the gentleman yield?

Mr. LEMKE. I yield.

Mr. FLANNAGAN. The committee has had an opportunity to examine the amendment and agreed to accept it.

The CHAIRMAN. Without objection, the amendment will be agreed to.

There was no objection.

Mr. LEMKE. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. LEMKE: Page 2, line 2, after the word "disease" strike out the comma, insert a period, and then strike out the balance of the sentence beginning with the word "quota" in line 2 and ending with the word "Board" in line 3.

Mr. FLANNAGAN. Mr. Chairman, the committee also accepts that amendment.

The CHAIRMAN. Without objection, the amendment will be agreed to.

There was no objection.

The Clerk read as follows:

Sec. 2. That subsection (b) of section 508 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"(b) To fix adequate premiums for insurance in the agricultural commodity or in cash, at such rates as the Board deems sufficient to cover claims for crop losses on such insurance and to establish within a period of 3 years a reasonable reserve against unforeseen losses. Such premiums shall be collected at such time or times, or shall be secured in such manner, as the Board may determine."

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. AUGUST H. ANDRESEN: Page 4, at the end of line 12, insert the following: "Provided, That, after the crop year of 1945, not more than a sum equivalent to 25 percent of the premiums collected in the preceding year (beginning calculation of premiums collected in the crop year of 1945) shall be used for administrative expense in any current operating year."

Mr. AUGUST H. ANDRESEN. Mr. Chairman, the purpose of this amendment is to place a definite limitation on the amount of money that can be spent for administrative expenses in the operation of the corporation. My amendment proposes to limit such administrative expenditures to 25 percent of the premiums collected in any one year; that is, the premiums collected in 1945 will be used as the basis for the administrative expenditures in 1946.

It may be possible that the 25-percent limitation I have placed in this amendment may be too low or too high, but one thing is quite definite as far as I am concerned and also as far as many Members who have expressed themselves to me are concerned, and that is that there should be a limitation on the amount of money any governmental agency, and particularly this one, can spend for administrative purposes. If the amount is too low it is my hope we can get more

information before the bill goes to conference or is taken up in the Senate and make the necessary adjustments at that time.

It must be realized that this bill came here in haste after the reconvening of Congress and the members of the committee have not had an opportunity to get full and complete information from those in charge of the program as to the amount necessary to carry on the functions of crop insurance.

Mr. FLANNAGAN. Mr. Chairman, will the gentleman yield?

Mr. LEMKE. I shall be pleased to yield.

Mr. FLANNAGAN. We all, of course, want to hold down the administrative costs as much as possible, but we do not want to be penny-wise and pound-foolish. I am afraid the limitation suggested by the gentleman in his amendment will not provide sufficient money to cover the administrative costs under the act.

I know the gentleman well enough to state that he wants to see the act succeed. The short investigation I have made shows that 45 percent of the premiums in ordinary insurance goes to administrative costs. In hail insurance some 35 to 40 percent of the premiums went into administrative costs. Taking the year 1943, under the Federal Crop Insurance Act, the total premiums collected amounted to \$17,477,000. The Committee on Appropriations made an allowance for administrative costs of \$8,572,000. As a matter of fact, the agency only used \$6,448,000 of the appropriation, leaving an unexpended balance of \$2,124,000. That figures around 37 percent of the premiums taken in during that year.

Of course, this program is in its infancy and we have not had an opportunity to demonstrate from actual experience just what the cost will be. The administrative costs will be reduced as the coverage increases because it takes a certain amount of overhead in each county whether you have service in that county covering a hundred policyholders or two or three thousand policyholders. I am perfectly willing to make a further study of this in order to determine, if we can, and arrive at some figure that is reasonable and fair and one that will not hamper the program.

The CHAIRMAN. The time of the gentleman has expired.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. FLANNAGAN. Mr. Chairman, if this amendment is adopted, I hope that the Senate, before passing upon this provision in the bill, will make further study in order to arrive at a fair percentage of the premiums to be used for administrative costs, because I realize we have to keep the administrative costs down if we expect the Appropriations Committee to go along with this program. We want to put it upon a sound foundation.



I just wanted to make this explanation to the Committee, then I am willing to abide by the judgment of the Committee with the hope that if the amendment is adopted the Senate will make a careful study in order to determine just what the percentage should be fixed at.

Mr. AUGUST H. ANDRESEN. There is no difference of opinion between the distinguished chairman of our committee and myself on wanting to have a sound program instituted under this act. If the program is not sound it is going to fail. If we want to do something to give the farmers an opportunity to insure their crops, we must now institute a sound program, actuarially and otherwise, and keep down the expense. If we can accomplish this, then we have done something constructive for everybody. Between now and the time the Senate takes this legislation up for consideration, I feel that the Committee on Agriculture should get together and study the actual needs and make estimates, submitting those figures to the Senate committee or to the conferees. We may make some revisions either up or down, and I recognize that that is necessary. So I hope that this amendment will be adopted in the interest of economy, and also in the interest of establishing a sound and self-sustaining program of insurance.

Mr. SMITH of Ohio. Mr. Chairman, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield to the gentleman from Ohio.

Mr. SMITH of Ohio. Does this bill provide for the payment of administrative expenses out of premiums paid?

Mr. AUGUST H. ANDRESEN. No; nor does my amendment provide for administrative expenses outside of premiums, but I say in my judgment that not more than a sum equivalent to 25 percent of the premiums collected can be used for administrative expenses.

Mr. SMITH of Ohio. Not more than 25 percent of the amount of the premiums paid?

Mr. AUGUST H. ANDRESEN. Of the premiums collected in the preceding year can be used in the current year for administrative expenses.

Mr. SMITH of Ohio. Or an amount equal to 25 percent of the premiums paid.

Mr. AUGUST H. ANDRESEN. Up to; not over 25 percent.

Mr. SMITH of Ohio. An amount not to exceed 25 percent.

Mr. AUGUST H. ANDRESEN. That is right.

Mr. SMITH of Ohio. That does not mean that the gentleman's amendment would provide that these administrative expenses should be paid out of the premiums?

Mr. AUGUST H. ANDRESEN. No; it does not mean that they are to be paid out of premiums, but the section to which my amendment is offered is as follows:

To fix adequate premiums for insurance in the agricultural commodity or in cash, at such rates as the Board deems sufficient to cover claims for crop losses on such insurance and to establish within a period of 3 years a reasonable reserve against unforeseen losses. Such premiums shall be collected at such time or times, or shall be

secured in such manner, as the Board may determine.

Up to the present time all of the money for administrative expenses has been paid by the Government. What I am seeking to do is to hold down the administrative expense so that it will not exceed 25 percent of the premiums collected.

Mr. SMITH of Ohio. This bill virtually provides for the payment of administrative expenses out of the Federal Treasury and not out of the premiums.

Mr. AUGUST H. ANDRESEN. That is existing law at the present time.

Mr. SMITH of Ohio. And this bill does not change that?

Mr. AUGUST H. ANDRESEN. No.

The CHAIRMAN. The time of the gentleman from Minnesota has again expired.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I ask unanimous consent to proceed for 3 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. HOPE. Mr. Chairman, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield to the gentleman from Kansas.

Mr. HOPE. I am in full sympathy with the gentleman's idea of holding the administrative expenses to the lowest point possible. I am not sure whether the figure of 25 percent which the gentleman's amendment carries is correct or not, but if I understand the gentleman he is not sure that this is absolutely the correct figure.

Mr. AUGUST H. ANDRESEN. That is correct.

Mr. HOPE. As I understand the gentleman's position, if it should develop later that that figure is not adequate to cover reasonable administrative costs, the gentleman is willing to agree to a larger figure if the Senate should increase that to a figure which does appear to be more in line with the information available then as to the facts?

Mr. AUGUST H. ANDRESEN. That is correct. I hope we will find the figure too high so that we can lower it, but if it is too low I want to make it so that the program will succeed. You will notice in my amendment I eliminated the crop year 1945, and I did that for a purpose so that they can go ahead and institute this new program. It may require more money. The limitation on the administrative expenses will begin for the crop year 1946.

Mr. HOPE. I think that is advisable.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota.

The amendment was agreed to.

The Clerk read as follows:

SEC. 3. That subsection (c) of section 508 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"(c) To adjust and pay claims for losses in the agricultural commodity or in cash, under rules prescribed by the Board: *Provided, however,* That if the total amount of approved claims for losses on any agricultural commodity for any year exceeds the total amount of premiums collected plus the ac-

cumulated premium reserves of the Corporation with respect to such commodity, such claims shall be paid on a pro rata reduced basis, but for the first 3 crop years with respect to which insurance has been in effect on any crop after the enactment of this act the payment shall not be reduced by more than 15 percent of the amount of the approved claim. The Corporation shall provide for the posting annually in each county at the county courthouse of a list of indemnities paid for losses on farms in such county. In the event that any claim for indemnity under the provisions of this title is denied by the Corporation, an action on such claim may be brought against the Corporation in the United States district court, or in any court of record of the State having general jurisdiction, sitting in the district or county in which the insured farm is located and jurisdiction is hereby conferred upon such district courts to determine such controversies without regard to the amount in controversy: *Provided,* That no suit on such claim shall be allowed under this section unless the same shall have been brought within 1 year after the date when notice of denial of the claim is mailed to and received by the claimant."

Mr. SMITH of Ohio. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SMITH of Ohio: On page 4, line 23, after "basis", strike out the comma and insert in lieu thereof a period, and strike out all thereafter down to and including the word "claim", in line 2, on page 5.

(Mr. SMITH of Ohio asked and was given permission to revise and extend his remarks.)

Mr. SMITH of Ohio. Mr. Chairman, I need explain this amendment only briefly. This takes out of the bill the doubt as to who is going to pay for the cost of this program, except, of course, the administrative cost. As this bill is written, it opens the way for losses which must be met by the Government. My amendment simply strikes out that provision which provides for taking care of these losses by the Federal Treasury; in other words, if the administration of the agency operating the plan knows that there is no money to come from the Treasury for the payment of losses it will so operate it, if it goes into effect, that there will be no losses, if of course, that agency follows the law.

I do not believe it is necessary for me to explain this amendment any further.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Ohio. I yield to the gentleman from North Carolina.

Mr. COOLEY. Is not the effect of the gentleman's amendment to make this Corporation merely a mutual insurance corporation? In other words, the indemnities would be paid altogether from premiums which had been paid in by the policyholders.

Mr. SMITH of Ohio. Correct.

Mr. COOLEY. Does the gentleman think the Corporation would be of much value to the farmers of the Nation under such circumstances, if it is made actuarially sound from the very beginning?

Mr. SMITH of Ohio. This has been tried for 5 years.

Mr. COOLEY. I should like to differ with the gentleman; it has not been tried on this basis. This is an entirely new-



approach to the problem and quite different from the original approach.

Mr. SMITH of Ohio. I do not think it is a new approach to the problem. This is the same sort of bureaucratic set-up as the other was. There is nothing fundamentally new whatever about it.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. FLANNAGAN. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, in my opinion this amendment would be the death knell to crop insurance. What we do here today is going to determine largely the policy of this Government with reference to the insurance of farm crops.

The bill provides that for the first 3 years the policy covers 75 percent of the loss of the average yield. During those 3 trial years, if the premiums are not sufficient to pay off 75 percent of the losses, then those losses cannot be reduced lower than 15 percent. That is, for the first 3-year period. We know that the crop-insurance program will have to struggle in the beginning before enough policyholders are brought in to make it a success. Every other insurance company had to struggle in the beginning and many of the insurance companies today are paying 100 percent of the first premiums collected. Fire insurance companies, I understand, are paying as much as 45 percent of the premium collected to agents who secure the business. After this initial period of 3 years the bill provides for the program to go upon a mutual basis. Then the premiums collected will have to take care of the indemnities. If the premiums are insufficient to take care of the 75 percent coverage, then the premium will have to be prorated among the policyholders. Let us give this bill a fair test.

Mr. H. CARL ANDERSEN. Mr. Chairman, will the gentleman yield?

Mr. FLANNAGAN. I yield.

Mr. H. CARL ANDERSEN. Does not the gentleman feel that the adoption of this amendment will mean the killing of the bill?

Mr. FLANNAGAN. That is what it will mean.

Mr. H. CARL ANDERSEN. That is my opinion.

Mr. FLANNAGAN. That is just what it will mean.

Mr. ANDERSON of New Mexico. Mr. Chairman, will the gentleman yield?

Mr. FLANNAGAN. I yield.

Mr. ANDERSON of New Mexico. Is it not a fact that the adoption of this amendment will make every farmer a coinsurer for all the rest of the people in his neighborhood, and he is going to stay out of that type of insurance?

Mr. FLANNAGAN. That is right.

Mr. ANDERSON of California. This amendment will absolutely destroy the bill if it is adopted.

Mr. FLANNAGAN. That is right. I do not know of any better way to destroy the bill than to adopt this amendment. I hope it will be the pleasure of the Committee to vote it down.

Mr. SMITH of Ohio. Mr. Chairman, will the gentleman yield?

Mr. FLANNAGAN. I yield.

Mr. SMITH of Ohio. Is it not a fact that this provision, as it is written in the

bill, does open the way to losses which would have to be paid by the Government?

Mr. FLANNAGAN. Oh, there may be a small loss for the first 3 years. The bill, however, does not open the way to losses. The farmers have no control over their losses. This bill provides for a 75-percent coverage, but in no case to exceed the actual cost or amount that the farmer has invested in the crop at the time it is destroyed. For the first 3 years it guarantees to the farmer, who takes insurance, a 75-percent coverage, with a limitation that that coverage cannot be reduced more than 15 percent. Thereafter the indemnities will have to be paid out of the premiums.

Mr. SMITH of Ohio. But it says to be reduced not more than 15 percent.

Mr. FLANNAGAN. That is right. It cannot be reduced to less than 15 percent of the amount of the approved claim.

Mr. SMITH of Ohio. But the gentleman says there is no possible way that this provision opens the way for losses. I would like to have the answer in the RECORD.

Mr. FLANNAGAN. Yes; I say that and I stand by that statement. This will not open the way to losses any more than striking it out will open the way to losses. The loss is occasioned by some act over which the farmer has no control. The farmer does not bring about the loss.

The only thing the provision does is to guarantee to the farmers that for the first 3 years his loss cannot be reduced to an amount less than 15 percent of the approved claim.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio [Mr. SMITH].

The amendment was rejected.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

SEC. 4. That subsection (e) of section 503 of the Federal Crop Insurance Act, as amended, is hereby repealed.

SEC. 5. That section 518 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"SEC. 518. 'Agricultural commodity,' as used in this title, means wheat, cotton, flax, corn, tobacco, rice, peanuts, soybeans, sugar beets, citrus fruits, tame hay, or any other agricultural commodity determined by the Board pursuant to subsection (a) (2) of section 503 of this title, or any one or more of such commodities, as the context may indicate."

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I offer an amendment which is at the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. AUGUST H. ANDRESEN: On page 5, line 22, after the word "corn", insert "oats, barley, rye."

Mr. FLANNAGAN. Mr. Chairman, the committee will accept the amendment.

The CHAIRMAN. Without objection, the amendment is agreed to.

There was no objection.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, I move to strike out the last word. On yesterday a great many commodity amendments were accepted and made a part of subparagraph 2 on page 3. I am wondering if there is some way by unanimous consent, by which all amend-

ments and commodities that were adopted on page 3, can now be accepted without having to offer separate amendments.

Mr. FLANNAGAN. We will be happy to agree to that, because I do not think any one of those amendments changes the bill in any respect. The general language following the enumeration of crops mentioned in section 1, would certainly cover these other farm commodities.

Mr. AUGUST H. ANDRESEN. Will the gentleman make that unanimous-consent request now?

Mr. FLANNAGAN. Mr. Chairman, I ask unanimous consent that all amendments to subsection 2, of section 1, adding commodities, be consolidated and appear in the bill after the word "hay" on page 3, line 8.

The CHAIRMAN. Is there objection to the request of the gentleman from Virginia?

Mr. AUGUST H. ANDRESEN. Mr. Chairman, reserving the right to object, the gentleman means by that request that all those commodity amendments that were accepted will be included in the proper place in section 5?

Mr. FLANNAGAN. They would first appear on page 3, subsection 2, after the word "hay", line 8. Then they would appear again in line 23 on page 5, after the word "hay."

The CHAIRMAN. May the Chair ask the gentleman from Virginia if he intends to include the amendment made at the point following citrus fruits, and also the amendment with reference to dried beans?

Mr. FLANNAGAN. That is correct, Mr. Chairman.

The CHAIRMAN. The Chair is not advised that they come in with the other commodity amendments. They appear in the same position as on page 3.

Mr. FLANNAGAN. That is correct.

The CHAIRMAN. Is there objection to the request of the gentleman from Virginia [Mr. FLANNAGAN]?

There was no objection.

[Mr. ANDERSON of California addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. SMITH of Ohio. Mr. Chairman, I do not wish to unnecessarily take up any time of the House. However, a question arose here on the floor yesterday upon which I am constrained to comment briefly.

The gentleman from North Carolina [Mr. COOLEY] was addressing the House. He graciously yielded to me for the following question:

The gentleman assures us that this program will not become compulsory. What about the triple A? We were assured that the triple A would not become compulsory.

To this the gentleman from North Carolina [Mr. COOLEY] replied:

I do not agree with the gentleman. The Triple A is not compulsory in any respect. The farmer may completely ignore all of the provisions of the Triple A and go ahead and manage his own business. The Government merely offered some compensation to those conserving the topsoil of American farms.

I then asked the gentleman from North Carolina [Mr. COOLEY]:

What about the Supreme Court decision relating to the wheat-penalty case?



The gentleman from North Carolina [Mr. COOLEY] refused to make any answer to this question.

Now, I assert that it is utterly false for anyone to make the claim that the Triple A program is not compulsory. The Supreme Court in the wheat penalty case specifically and unequivocally ruled that a farmer who raised more wheat than the Triple A said he could raise had to pay a penalty of something like 49 cents per bushel on the excess.

It so happens that I am one of the persons over whose head now hangs a penalty for raising more wheat than the Triple A said I could raise. And, mind you, the law providing for the penalty was not passed until sometime in the summer following the fall when the wheat was sowed. The law was clearly retroactive.

I am not complaining about the money that is involved in the wheat penalty levied against me. That is as nothing. But to me and to every farmer who has had a penalty levied against him for raising wheat in excess of that allowed by the Triple A, and who in the future might wish to raise more wheat than allowed by it, this New Deal farm program is as compulsory as anything can be. To us it is tyranny of the same sort as that practiced by Hitler and Stalin. There is no essential difference.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Ohio. I yield.

Mr. COOLEY. Was not the wheat-control program imposed upon the wheat farmers after a referendum had been conducted throughout the country in the wheat-growing area and two-thirds of the farmers were required to vote before it could be invoked?

Mr. SMITH of Ohio. No; that is not correct; two-thirds of the farmers did not even participate in the program. The gentleman ought to know that.

Mr. COOLEY. How could any control program be imposed upon them?

Mr. SMITH of Ohio. Here are some of the data relating to the strange device, something wholly foreign to our form of government and way of life, that provided for the so-called referendum on wheat quotas:

Total number of farmers in the United States, 6,096,799.

Total number of wheat farmers in the United States, 1,780,000.

Total number of wheat farmers with more than 15 acres who were eligible to vote on the wheat penalties, 970,030.

Only about 15 percent, or 1 in 6 farmers in the United States, was permitted to vote on the wheat penalties.

Only 54 percent of the wheat farmers in the United States were allowed to vote.

Only 31 percent, or 559,630, wheat farmers voted.

The ayes in that referendum were 453,569. The nays were 160,601.

So that only about 7 percent of the total number of farmers in the United States voted for the penalty.

Local and country Triple A committeemen and officials had complete control of the voting. Local A. A. committeemen sat on the election board. Local

committeemen and the county chairman of the A. A. A. selected members to fill any vacancies on the board.

Accordingly, the local committeemen and county chairman of the Triple A said who was eligible to vote, did the challenging, counted the votes, and gave out the returns.

Without reflecting in the least upon the integrity and good intentions of the Triple A officials and employees, it must be said that the manner in which the wheat quota referendum was held is not in accordance with the time-honored practices relating to voting on public questions that had been in vogue in this country up to the advent of the New Deal since the formation of the Republic.

Many other gross irregularities in that procedure could be pointed out.

Mr. HOPE. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Ohio. I yield.

Mr. HOPE. Does the gentleman contend that there is any way by which this program can be made compulsory without further action by Congress?

Mr. SMITH of Ohio. Yes; I contend that there is a way by which this crop-insurance program can in effect be made compulsory without further action by Congress. In the first place, it is well known that the New Deal administration has little regard for the Constitution and does not hesitate to circumvent the statutes or construe them to its own liking whenever it serves its purpose to do so. Secondly, this program will be operated through the Triple A, which, if we may judge from past experience with that Federal agency, may not hesitate to use the power it already possesses over the farmers to pressure them into insuring their crops.

Mr. MURRAY of Wisconsin. Mr. Chairman will the gentleman yield?

Mr. SMITH of Ohio. I yield.

Mr. MURRAY of Wisconsin. I wish to call the gentleman's attention to the fact that with all this wet nursing there has never been a month during the last 2 years in which wheat has even been at parity price with all the billions that have been poured into this program.

Mr. SMITH of Ohio. I gladly accept that statement as being correct.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. ANDERSON of California. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD immediately following the unanimous-consent request of the gentleman from Virginia.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. H. CARL ANDERSEN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, a good, sound crop-insurance program is one of the pillars of a prosperous and permanent agriculture. Many of us found it necessary last spring to vote against the continuation of the old plan of insurance which was far too costly to the taxpayers of America, and which did not meet the needs of the average farmer.

Private insurance companies cannot assume the risk of covering a large devastated area of crops localized as such devastation usually is through hail storms and the like.

Personally, I am much opposed to our Government entering any field which can satisfactorily be taken care of by private business but the field of crop insurance is so vast and so hazardous that proper coverage cannot be obtained by the average farmer.

This is well illustrated by the high premium rates which private companies are forced to charge for coverage against hail storms, a premium rate which practically makes it impossible for the average farmer to insure his crop in my home township.

The gentleman from Minnesota [Mr. AUGUST H. ANDRESEN] has offered an amendment which was accepted this afternoon and which provides that the administrative expenses in connection with the operation of this crop insurance program will be held down beneath an amount equal to 25 percent of the yearly income from premiums.

This limitation assures to the Congress and to the people of the United States that this program will be operated as nearly as possible on a pay-as-you-go basis.

We all of us want to see a sound crop-insurance program and I feel that this bill as written today, especially including the amendment proposed by the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN] which was adopted, will form the basis of that sound program.

It is my hope that this proposed legislation will pass this House by a large majority and be enacted into law shortly.

(Mr. H. CARL ANDERSEN asked and was given permission to revise and extend his remarks).

The Chairman, there being no further amendments, under the rule, the Committee rises.

Accordingly the Committee rose; and Mr. COOPER having assumed the chair as Speaker pro tempore, Mr. SPARKMAN, Chairman of the Committee of the Whole House on the state of the Union reported that the Committee having had under consideration the bill (H. R. 4911) to amend the Federal Crop-Insurance Act pursuant to House Resolution 605, he reported the same back to the House with sundry amendments adopted in the Committee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not the Chair will put them en grosse.

The amendments were agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and on a division (demanded by Mr. TARVER) there were—ayes, 102; nays, 5.

Mr. TARVER. Mr. Speaker, I object to the vote on the ground there is no



quorum present and make the point of order that there is not a quorum present.

The SPEAKER pro tempore. Obviously a quorum is not present. The roll call is automatic. The Clerk will call the roll.

The question was taken; and there were—yeas 254, nays 16, not voting 161, as follows:

[Roll No. 116]

YEAS—254

|                  |                 |                 |
|------------------|-----------------|-----------------|
| Abernethy        | Folger          | Myers           |
| Allen, Ill.      | Forand          | Newsome         |
| Allen, La.       | Fuller          | Norman          |
| Andersen,        | Furlong         | Norrell         |
| H. Carl          | Gathings        | Norton          |
| Anderson, Calif. | Gearhart        | O'Brien, Mich.  |
| Anderson,        | Gerlach         | O'Hara          |
| N. Mex.          | Gifford         | O'Toole         |
| Andresen,        | Gillespie       | Outland         |
| August H.        | Gillette        | Pace            |
| Andrews, Ala.    | Goodwin         | Patton          |
| Andrews, N. Y.   | Gordon          | Peterson, Fla.  |
| Angell           | Gore            | Peterson, Ga.   |
| Arends           | Gorskl          | Phillips        |
| Arnold           | Graham          | Pittenger       |
| Auchincloss      | Grant, Ala.     | Ploeser         |
| Baldwin, Md.     | Gregory         | Plumley         |
| Baldwin, N. Y.   | Griffiths       | Pratt           |
| Barrett          | Gross           | Joseph M.       |
| Bates, Ky.       | Gwynne          | Price           |
| Beall            | Hagen           | Priest          |
| Beckworth        | Hale            | Ramspeck        |
| Bennett, Mich.   | Hall            | Randolph        |
| Bennett, Mo.     | Edwin Arthur    | Rankin          |
| Bishop           | Halleck         | Reece, Tenn.    |
| Blackney         | Hancock         | Reed, Ill.      |
| Bland            | Harness, Ind.   | Reed, N. Y.     |
| Bloom            | Harris, Ark.    | Richards        |
| Bonner           | Hart            | Rivers          |
| Boren            | Hays            | Robertson       |
| Brehm            | Herter          | Robinson, Utah  |
| Brooks           | Hess            | Robson, Ky.     |
| Brown, Ga.       | Hill            | Rockwell        |
| Brown, Ohio      | Hoch            | Rodgers, Pa.    |
| Brumbaugh        | Holmes, Mass.   | Rogers, Mass.   |
| Bryson           | Hope            | Rohrbough       |
| Buck             | Horan           | Rooney          |
| Burch, Va.       | Hull            | Rowe            |
| Burdick          | Izac            | Sadowski        |
| Camp             | Jarman          | Sasscer         |
| Canfield         | Jeffrey         | Sauthoff        |
| Carrier          | Jenkins         | Schwabe         |
| Carter           | Jennings        | Scrivner        |
| Case             | Jensen          | Shafer          |
| Celler           | Johnson,        | Sheridan        |
| Chapman          | Anton J.        | Simpson, Ill.   |
| Chipherfield     | Johnson, Okla.  | Simpson, Pa.    |
| Church           | Judd            | Smith, Maine    |
| Clason           | Kearney         | Smith, Va.      |
| Clevenger        | Kefauver        | Smith, W. Va.   |
| Cochran          | Kerr            | Smith, Wis.     |
| Cole, Mo.        | Kinzer          | Snyder          |
| Cole, N. Y.      | Kirwan          | Sparkman        |
| Colmer           | Kunkel          | Spence          |
| Cooley           | LaFollette      | Springer        |
| Cooper           | Lane            | Stanley         |
| Courtney         | Larcade         | Stefan          |
| Cox              | Lea             | Stevenson       |
| Cravens          | LeFevre         | Stockman        |
| Crawford         | Lemke           | Sullivan        |
| Crosser          | Lewis           | Talbot          |
| Curtis           | Luce            | Talle           |
| D'Alesandro      | Ludlow          | Taylor          |
| Daughton, Va.    | McConnell       | Tibbott         |
| Davis            | McCord          | Torrens         |
| Day              | McCormack       | Troutman        |
| Delaney          | McCowan         | Voorhis, Calif. |
| Dickstein        | McGregor        | Vursell         |
| Dilweg           | McMillan, S. C. | Wadsworth       |
| Dingell          | McMillen, Ill.  | Walter          |
| Domengeaux       | McMurray        | Wasielewski     |
| Dondero          | McWilliams      | Weaver          |
| Doughton, N. C.  | Maas            | Welchel, Ohio   |
| Dworshak         | Madden          | Welch           |
| Eaton            | Manasco         | Whitten         |
| Elliot           | Martin, Iowa    | Whittington     |
| Ellis            | Martin, Mass.   | Wigglesworth    |
| Ellison, Md.     | Mason           | Willey          |
| Ellsworth        | Morrow          | Wilson          |
| Elmer            | Michener        | Winstead        |
| Elston, Ohio     | Miller, Nebr.   | Wolcott         |
| Engle, Calif.    | Mills           | Wolfenden, Pa.  |
| Fellows          | Monkiewicz      | Woodruff, Mich. |
| Fenton           | Morrison, La.   | Woodrum, Va.    |
| Fish             | Mott            | Wright          |
| Fitzpatrick      | Murdock         | Zimmerman       |
| Flannagan        | Murray, Wis.    |                 |

#### NAYS—16

|         |               |             |
|---------|---------------|-------------|
| Buffett | Kleberg       | Smith, Ohio |
| Compton | McGehee       | Sundstrom   |
| Disney  | May           | Taber       |
| Hoffman | Miller, Conn. | Tarver      |
| Jones   | Miller, Mo.   |             |
| Kean    | Sheppard      |             |

#### NOT VOTING—161

|                 |                 |                  |
|-----------------|-----------------|------------------|
| Barden          | Hare            | Murray, Tenn.    |
| Barry           | Harless, Ariz.  | O'Brien, Ill.    |
| Bates, Mass.    | Hartley         | O'Brien, N. Y.   |
| Bell            | Hébert          | O'Connor         |
| Bender          | Heffernan       | O'Konski         |
| Bolton          | Heldinger       | O'Neal           |
| Boykin          | Hendricks       | Patman           |
| Bradley, Mich.  | Hinshaw         | Pfeifer          |
| Bradley, Pa.    | Hobbs           | Philbin          |
| Buckley         | Hoeven          | Poage            |
| Bulwinkle       | Hollfield       | Poulson          |
| Burchill, N. Y. | Holmes, Wash.   | Powers           |
| Burgin          | Howell          | Pracht,          |
| Busbey          | Jackson         | C. Frederick     |
| Butler          | Johnson,        | Rabaut           |
| Byrne           | Calvin D.       | Ramey            |
| Cannon, Fla.    | Johnson, Ind.   | Rees, Kans.      |
| Cannon, Mo.     | Johnson,        | Rizley           |
| Capozzoli       | J. Leroy        | Rolph            |
| Carlson, Kans.  | Johnson,        | Rowan            |
| Carson, Ohio    | Luther A.       | Russell          |
| Chenoweth       | Johnson,        | Sabath           |
| Clark           | Lyndon B.       | Satterfield      |
| Coffee          | Johnson, Ward   | Scanlon          |
| Costello        | Jonkman         | Schiffner        |
| Cunningham      | Kce             | Scott            |
| Curley          | Keefe           | Short            |
| Dawson          | Kelley          | Slaughter        |
| Dewey           | Kennedy         | Somers, N. Y.    |
| Dies            | Keogh           | Starnes, Ala.    |
| Dirksen         | Kilburn         | Stearns, N. H.   |
| Douglas         | Kilday          | Stewart          |
| Drewry          | Kling           | Stigler          |
| Durham          | Klein           | Sumner, Ill.     |
| Eberharter      | Knutson         | Sumners, Tex.    |
| Engel, Mich.    | Lambertson      | Thomas, N. J.    |
| Fay             | Landis          | Thomas, Tex.     |
| Felghan         | Lanham          | Thomason         |
| Fernandez       | LeCompte        | Tolan            |
| Fisher          | Lesinski        | Towe             |
| Fegarty         | Lynch           | Treadway         |
| Ford            | McKenzie        | Vincent, Ky.     |
| Fulbright       | McLean          | Vinson, Ga.      |
| Fulmer          | Magnuson        | Vorys, Ohio      |
| Gale            | Mahon           | Ward             |
| Gallagher       | Maloney         | Weiss            |
| Gamble          | Mansfield,      | Wene             |
| Gavin           | Mont.           | West             |
| Gibson          | Mansfield, Tex. | Whelchel, Ga.    |
| Gilchrist       | Marcantonio     | White            |
| Gillie          | Merritt         | Wickersham       |
| Gossett         | Miller, Pa.     | Winter           |
| Granger         | Monroney        | Wolverton, N. J. |
| Grant, Ind.     | Morrison, N. C. | Worley           |
| Green           | Mruk            |                  |
| Hall,           | Mundt           |                  |
| Leonard W.      | Murphy          |                  |

So the bill was passed.

The Clerk announced the following pairs:

#### General pairs:

Mr. Hare with Mr. Knutson.  
 Mr. Barry with Mr. Hoeven.  
 Mr. Wickersham with Mr. Dirksen.  
 Mr. Heffernan with Mr. Kilburn.  
 Mr. Coffee with Mr. Ramey.  
 Mr. Byrne with Mr. Carlson of Kansas.  
 Mr. Lesinski with Mr. Rizley.  
 Mr. Keogh with Mr. Powers.  
 Mr. O'Connor with Mr. Hartley.  
 Mr. Lynch with Mrs. Bolton.  
 Mr. Rabaut with Mr. Gillie.  
 Mr. O'Neal with Mr. Grant of Indiana.  
 Mr. Vinson of Georgia with Mr. Johnson of Indiana.  
 Mr. Bulwinkle with Mr. Wolverton of New Jersey.  
 Mr. Pfeifer with Mr. Chenoweth.  
 Mr. Hendricks with Mr. Gamble.  
 Mr. Somers of New York with Mr. Cunningham.  
 Mr. Hollfield with Mr. LeCompte.  
 Mr. Boykin with Mr. Keefe.  
 Mr. Curley with Mr. Jonkman.  
 Mr. Fogarty with Mr. Engel of Michigan.  
 Mr. Drewry with Mr. Mundt.

Mr. Mansfield of Texas with Mr. Rees of Kansas.

Mr. Hobbs with Mr. Short.

Mr. Philbin with Mr. Thomas of New Jersey.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

The doors were opened.

Mr. FLANNAGAN. Mr. Speaker—

The SPEAKER. Does the gentleman from Virginia desire recognition in connection with the bill just passed?

Mr. FLANNAGAN. Mr. Speaker, I ask unanimous consent to insert at this point in the RECORD certain data which I thought had been inserted during the consideration of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

(The matter referred to follows:)

#### ESSENTIAL PROVISION OF H. R. 4911, TO AMEND THE FEDERAL CROP INSURANCE ACT

1. Insurance is authorized beginning with the 1945 crop on wheat, cotton, and flax. Flax was added in one of the later committee drafts of the bill. Flax is grown in areas where wheat is grown and many farmers produce both crops. The two crops are subject to many of the same hazards. It is probable that the insurance contract and related forms for wheat could readily be adapted to flax insurance.

2. The insurance coverage, in addition to being limited to 75 percent of the average yield for the insured farm, would be limited also under this bill to the investment in the crop. This additional limitation will provide more conservative insurance. It is believed that this limitation will apply most frequently when the insured crop is abandoned because of the smaller investment in a crop that is not completed. In such cases it may reduce the indemnity owed to the insured to a considerable extent and for the Corporation as a whole it should reduce the amount of losses paid by a rather large amount. At the same time it would not work a hardship in the insured farmer, because where the crop is abandoned the insured does not have the expense of carrying the crop to completion and oftentimes is enabled to use the land for a substitute crop. It has become more and more apparent in recent years that the present plan of insurance provided disproportionately large insurance in cases of abandoned crops and the Corporation had devised a somewhat different plan to meet this problem under the original legislation. An outline of this problem is given in the 1943 annual report of the Federal Crop Insurance Corporation (p. 9).

The insurance plan used in the past has been based on the assumption that the productivity of the farm in the past is the best advance indication of what it should produce in the year of insurance and therefore the history of yields on the farm was used as the basis of the coverage. However, the yield of the crop in the year of insurance will also be substantially influenced by the amount of fertilizer used, the extent and character of the preparation of the soil and the care of the crop. Using the investment as one basis of coverage these factors will be reflected in the amount of insurance protection.

Another feature of H. R. 4911 that would provide a more conservative coverage and eliminate overinsurance is the repealing of the provision in the cotton insurance relative to loss of cottonseed. Under that provision both premiums and indemnities were increased by a certain formula to cover loss



of cottonseed. The increase in 1943 was 20 percent. The continuation of that provision for cottonseed would have been inconsistent with the provision in the bill limiting the coverage to the investment in the crop.

3. The bill authorizes a trial of insurance on certain crops for a period of 3 years in not to exceed 20 representative counties for each crop. This provision covers corn, tobacco, rice, peanuts, soybeans, sugar beets, citrus fruits, tame hay, and any other agricultural commodity, if sufficient actuarial data are available, as determined by the Board. The insurance coverage may be the same as provided for wheat, cotton, and flax, or may be a percentage, not in excess of 75 percent, of the investment in the crop. The Corporation shall report to Congress the results of its operations as to each crop.

The Corporation, under the present act, has authority to conduct research work relative to other crops, but much can be learned from an experiment that cannot be learned from studies. It would seem that provision for a trial program on a small scale, following the research work, would be a sound approach toward extending crop insurance to other crops. Much has to be learned by experience and can be learned at less cost to the Government through a small experiment than through a broad program of insurance available to all farmers. While provision is made for trial in 20 counties it is not contemplated that more counties will be used than is necessary for a satisfactory test.

4. H. R. 4911 provides that insurance will not be provided in any county unless applications are filed for insurance on 100 farms or if less than 100 farms on at least one-third of the farms normally producing the crops subject to insurance. There is a qualifying provision, however, that some farms in such counties may be insured if they are

in a local producing area bordering on a county with a crop-insurance program.

It was believed that this provision would accomplish two ends. First, it would reduce the expenses by eliminating insurance where the volume of business is small and the administrative cost per contract consequently high; and second, it would induce farmers who wanted insurance to help sell the idea of insurance to other farmers in their community. In this respect it would introduce something of a mutual or cooperative feature. The Corporation in the past has had many counties with very small participation both in absolute numbers and in relative proportion to the number of farms in the county. No minimum participation requirements have been made previously because the program was new and A. A. A. offices were available in all counties for local administration.

5. H. R. 4911 provides for the establishment of premiums that are deemed adequate to cover crop losses and to provide in 3 years a reasonable reserve against unforeseen losses. The original legislation provided for separate premium rates for each farm based in part on the crop-loss experience for such farm. It is believed that in many cases accidental factors so affected the crop-loss experience for individual farms that premium rates so computed did not properly reflect the probability of future losses. This formula has, therefore, been removed from the legislation and the Corporation would be given broad authority as to the method of determining the appropriate premium rate.

6. H. R. 4911 provides that if in any year the premiums collected and reserves applicable to any crop are not adequate to meet the losses on the crop, the amount available is to be prorated over all claims, except that for the first 3 years insurance is in effect with respect to any crop after the enactment of

the legislation, no claim would be reduced by more than 15 percent.

After that 3-year period the indemnified losses each year on each crop would be limited to the premium collected and the accumulated reserves. Insurance would be less attractive with this provision because the insured would never know exactly how much protection he had. It was believed, however, that other changes in the legislation would improve the loss experience so that the reduction by proration would not be large and that this could be demonstrated in 3 years. During those 3 years the limitation of 15 percent on the reduction of claims by proration would provide the insured with a more definite amount of insurance protection.

7. Provision is made for giving local publicity to the losses paid on individual farms by posting annually in each county at the county court house a list of indemnities paid for losses on farms in the county.

Since under the proration provision the amount which an insured may collect will depend to some extent on the losses paid to other farmers, it was believed that each insured farmer was entitled to know what indemnities were paid to other insured farmers.

8. H. R. 4911 provides that legal action on claims may be brought not only in the United States district courts as formerly but in State courts of record.

The original legislation provided that claims might be brought only in United States courts so that more uniformity of interpretation might be obtained. The change was proposed by the committee with the thought that State courts would be more accessible or convenient to the insured.

9. H. R. 4911 gives the Corporation definite authority to limit (which means also refuse) insurance in any county or area, or on any farm, on the basis of the insurance risk involved.

TABLE 1.—Federal crop-insurance experience—United States summary by years, as of June 30, 1944

| Commodity and crop year | Farms insured <sup>1</sup> |                            | Indem-<br>nities | Insured<br>acreage | Insured pro-<br>duction | Commodity basis |                  |                           | Monetary basis |                |   |                           |
|-------------------------|----------------------------|----------------------------|------------------|--------------------|-------------------------|-----------------|------------------|---------------------------|----------------|----------------|---|---------------------------|
|                         | Insur-<br>ance<br>written  | Insur-<br>ance in<br>force |                  |                    |                         | Premiums        | Indemni-<br>ties | Surplus or<br>deficit (—) | Premiums       | Indemnities    | Gain or loss<br>from com-<br>modity<br>transactions | Surplus or<br>deficit (—) |
| Wheat:                  | <i>Number</i>              | <i>Number</i>              | <i>Number</i>    | <i>Acres</i>       | <i>Bushels</i>          | <i>Bushels</i>  | <i>Bushels</i>   | <i>Bushels</i>            |                |                |   |                           |
| 1939.....               |                            | 165,775                    | 55,532           | 7,010,390          | 60,826,075              | 6,670,315       | 10,163,899       | —3,493,584                | \$3,410,940.10 | \$5,601,561.79 | —\$1,417.71   | —\$2,192,039.40           |
| 1940.....               | 379,710                    | 360,596                    | 112,762          | 12,754,834         | 108,284,574             | 13,796,798      | 22,898,147       | —9,102,349                | 9,155,062.21   | 13,694,263.62  | —175,225.59   | —4,714,427.00             |
| 1941.....               | 420,940                    | 371,390                    | 130,774          | 11,734,263         | 104,306,380             | 12,643,051      | 18,857,243       | —6,214,192                | 7,096,366.64   | 18,925,433.85  | 4,182,654.71  | —7,646,412.50             |
| 1942.....               | 504,047                    | 400,043                    | 108,368          | 29,630,265         | 88,063,150              | 8,769,715       | 10,574,927       | —1,805,212                | 8,447,498.18   | 13,666,902.68  | 1,738,922.15  | —3,480,482.35             |
| 1943.....               | 487,663                    | 357,733                    | 133,076          | 28,148,800         | 275,264,000             | 8,035,124       | 13,209,955       | —5,174,831                | 10,625,480.33  | 19,705,072.29  | 912,775.32  | —8,166,816.64             |
| Total wheat.....        |                            | 1,655,537                  | 540,912          | 49,278,552         | 436,744,179             | 49,915,003      | 75,704,171       | —25,789,168               | 38,735,347.46  | 71,593,234.23  | 6,657,708.88  | —26,200,177.89            |
| Cotton:                 |                            |                            |                  |                    | <i>Pounds</i>           | <i>Pounds</i>   | <i>Pounds</i>    | <i>Pounds</i>             |                |                |   |                           |
| 1942.....               |                            | 169,072                    | 47,744           | 2,816,462          | 407,611,601             | 31,435,750      | 52,536,269       | —21,100,519               | 6,302,938.89   | 11,254,151.87  | 207,840.90  | —4,743,372.08             |
| 1943.....               |                            | 164,998                    | 40,632           | 2,690,279          | 2386,690,312            | 30,744,370      | 56,800,979       | —26,056,609               | 6,852,495.82   | 13,006,746.01  | —125,795.40   | —6,280,045.59             |
| Total cotton.....       |                            | 334,070                    | 88,376           | 5,506,741          | 794,301,913             | 62,180,120      | 109,337,248      | —47,157,128               | 13,155,434.71  | 24,260,897.88  | 82,045.50   | —11,023,417.67            |
| Other charges.....      |                            |                            |                  |                    |                         |                 |                  |                           |                |                |   | —3,448.00                 |
| Total.....              |                            | 1,989,607                  | 629,288          | 54,785,293         |                         |                 |                  |                           | 51,890,782.17  | 95,854,132.11  | 6,739,754.38  | —37,227,043.56            |

<sup>1</sup> Includes duplication where both landlord and tenant are insured.

<sup>2</sup> Estimated.

TABLE 2.—Summary of administrative expenses by appropriations, as at June 30, 1944

| Fiscal year—         | Net appropri-<br>ations <sup>1</sup> | Expenditures                       |              |               |                                      |              |               | Savings      |                         |
|----------------------|--------------------------------------|------------------------------------|--------------|---------------|--------------------------------------|--------------|---------------|--------------|-------------------------|
|                      |                                      | Federal Crop Insurance Corporation |              |               | Cooperating agencies                 |              |               |              | Total expend-<br>itures |
|                      |                                      | General                            | Storage      | Total         | Agricultural<br>Adjustment<br>Agency | Other        | Total         |              |                         |
| 1938.....            | \$965,000                            | \$234,546.07                       |              | \$234,546.07  |                                      |              | \$234,546.07  | \$730,453.93 |                         |
| 1939.....            | 5,000,000                            | 1,648,390.41                       | \$305,621.27 | 1,954,011.68  | \$2,245,743.31                       | \$151,580.77 | 4,351,335.76  | 648,664.24   |                         |
| 1940.....            | 5,823,200                            | 1,320,437.79                       | 858,317.17   | 2,178,754.96  | 3,280,167.88                         | 191,916.17   | 5,650,839.01  | 172,360.99   |                         |
| 1941.....            | 5,523,260                            | 1,148,169.32                       | 865,588.89   | 2,013,758.21  | 2,814,439.96                         | 200,737.64   | 5,028,935.81  | 494,264.19   |                         |
| 1942.....            | 8,559,827                            | 1,598,212.74                       | —178,856.96  | 1,419,355.78  | 5,123,260.67                         | 232,994.08   | 6,775,610.53  | 1,784,216.47 |                         |
| 1943.....            | 8,572,954                            | 1,352,122.05                       | —57,720.33   | 1,294,401.72  | 4,884,579.00                         | 269,641.07   | 6,448,621.79  | 2,124,332.21 |                         |
| 12-112/3600.017..... | 550                                  | 494.22                             |              | 494.22        |                                      |              | 494.22        | 55.78        |                         |
| 1944.....            | 3,150,000                            | 505,708.10                         | 44,109.43    | 949,817.53    | 770,000.00                           | 17,272.00    | 1,737,089.53  | 1,412,910.47 |                         |
| Total.....           | 37,594,731                           | 8,208,080.70                       | 1,837,059.47 | 10,045,140.17 | 19,118,190.82                        | 1,064,141.73 | 30,227,472.72 | 7,367,258.28 |                         |

<sup>1</sup> Adjusted to reflect reappropriations: \$500,000, 1939 to 1940; \$100,000, 1940 to 1941; \$350,000, 1944 to 1945.

NOTE.—See p. 3 of annual report for reduction in cost per insured farm.



[From report of the Wheat Crop Insurance Consulting Committee, p. 37]

#### COMPARISON WITH FIRE INSURANCE COMPANIES

A comparison of the ratio of the operating expenses of the Corporation with the ratio of expenses of the 18 largest stock fire insurance companies operating in the United States, each having premiums written in 1940 of more than \$10,000,000, as shown in the reports of Alfred M. Best Co., and with the ratio of expenses of approximately 372 stock fire insurance companies and 175 mutual fire insurance companies, as set out in the Spectator Yearbook, Fire and Marine, 1940, 1941, and 1942, shows the following:

TABLE A.—Percentage of expense to premiums

|                            | Federal Crop Insurance Corporation | 18 largest stock fire companies | 371-372 stock fire companies | 168-176 mutual fire companies |
|----------------------------|------------------------------------|---------------------------------|------------------------------|-------------------------------|
|                            | Percent                            | Percent                         | Percent                      | Percent                       |
| 1939.....                  | 54.5                               | 51.3                            | 50.6                         | 36.1                          |
| 1940.....                  | 34.9                               | 48.7                            | 47.8                         | 36.2                          |
| 1941.....                  | 33.2                               | 46.6                            | 45.6                         | 32.3                          |
| Aggregate for 3 years..... | 38.5                               | 48.7                            | 47.7                         | 34.7                          |

"Premiums written" for the corporation represents the bushels of wheat collected from farmers (in dollars) less cancellations, plus the part of the congressional appropriation used for expenses. For the private companies it represents gross premiums written less cancellations and reinsurance.

"Expenses incurred" for the corporation includes that part of the congressional appropriation used for underwriting (operating) expenses, including loss adjustment expense, and excludes investment (wheat) expense. For the private companies it includes, with underwriting expense, loss adjustment expense, and excludes investment expense.

From the standpoint of the operation of an insurance business, the administrative expenses of the corporation over the first 3 years compare favorably with those of the fire-insurance companies, which have generally operated over long periods.

#### PERMISSION TO ADDRESS THE HOUSE

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

#### PROGRAM FOR THE BALANCE OF THE WEEK

Mr. McCORMACK. Mr. Speaker, I wish to announce for the information of the House, so that the Members will know, what the program for the remainder of the week and the early part of next week will be, and so that they may govern themselves accordingly.

We will adjourn over tomorrow. That has already been agreed upon. The next order of business will be consideration of a rule on the so-called road bill which will be all for today.

On Friday next the road bill will come up under general debate. There will be no debate on that bill under the 5-minute rule. The road bill will then go over until Tuesday next for consideration under the 5-minute rule.

On Monday we will consider bills on the Consent Calendar. My announcement now does not constitute a state-

ment of the program for next week but just covers the road bill so that the Members who go home for Thanksgiving may govern themselves in accordance with the statement I have just made that nothing controversial in relation to the road bill will come up before Tuesday next.

#### EXTENSION OF REMARKS

Mr. COMPTON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include a letter from the South Pacific.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. COLMER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein a speech I made.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. WEICHEL of Ohio. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a news item.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. McGEHEE. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a letter from the American Farm Bureau Federation and one from the National Grange.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

[The matter referred to appears in the Appendix.]

#### FEDERAL-AID ROAD ACT

Mr. COX. Mr. Speaker, I call up House Resolution 654, and ask for its immediate consideration.

The Clerk read the resolution, as follows:

*Resolved*, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 4915) to amend and supplement the Federal-Aid Road Act, approved July 11, 1916, as amended and supplemented, to authorize appropriations for the post-war construction of highways and bridges, to eliminate hazards at railroad grade crossings, to provide for the immediate preparation of plans and acquisition of rights-of-way, and for other purposes. That after debate, which shall be confined to the bill and shall continue not to exceed 3 hours to be equally divided and controlled by the chairman and the ranking minority member of the Committee on Roads, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment, the Committee shall rise and report the same to

the House with such amendments as shall have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. COX. Mr. Speaker, I yield at this time 30 minutes to the gentleman from New York [Mr. FISH].

Mr. Speaker, as has been observed, this resolution proposes to make in order consideration of the so-called road bill, H. R. 4915. It is an open rule, which means that the bill will be considered under the general rules of the House.

There has been some difference of opinion with respect to this bill, but all Members will have the opportunity to offer amendments and have them considered where they are germane to the bill. Because of the tremendous amount of money involved, an authorization of Federal expenditures to the extent of a billion and a half dollars, and because of the importance of the subject matter and general interest, your Committee on Rules suggests that 3 hours of general debate be had. It is my understanding that since the Committee on Rules heard members of the Committee on Agriculture on the application for the rule, that differences then existing between members of that committee have been largely reconciled by agreement, and that the committee in charge of the bill will offer those amendments when read under the 5-minute rule.

It is not my purpose or desire to discuss the merits of the bill. The committee handling the measure has spent a great deal of time in its consideration, and are well informed. They will be able to answer all questions and clear up all doubts that may be upon the minds of the Members of this body.

Mr. Speaker, I reserve the balance of my time.

The SPEAKER. The Chair recognizes the gentleman from New York [Mr. FISH] for 30 minutes.

Mr. FISH. Mr. Speaker, I yield myself 12 minutes.

Mr. Speaker, this is one of the post-war planning bills. It is brought to the House by unanimous vote of the Committee on Rules as a part of the program to solve the most far-reaching problem affecting the destiny of America with which this House and its Members and the American people are confronted.

Some people might differ with that statement. They might say that the war is the greatest issue with which we are confronted. I submit that we are in the process of solving that issue thoroughly, efficiently, and rapidly. We are on the march to victory on land, sea, and air. It is merely a question of time when we will achieve victory in Germany, maybe 6 months or less, and a year or so in Japan. We have made the efforts. We have raised the troops. We have equipped and armed them. They are on the march to victory all over the world.

The second big problem with which we might be confronted is winning the peace, but we in the House have very little to do with that. Furthermore, we could not accomplish anything until we know the peace and war aims of our allies.







78TH CONGRESS  
2D SESSION

# H. R. 4911

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IN THE SENATE OF THE UNITED STATES

NOVEMBER 24 (legislative day, NOVEMBER 21), 1944

Read twice and referred to the Committee on Agriculture and Forestry

---

## AN ACT

To amend the Federal Crop Insurance Act.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That subsection (a) of section 508 of the Federal Crop  
4       Insurance Act, as amended, is amended to read as follows:  
5       “(a) (1) Commencing with the wheat, cotton, and  
6       flax crops planted for harvest in 1945, to insure, upon such  
7       terms and conditions not inconsistent with the provisions  
8       of this title as it may determine, producers of wheat, cotton,  
9       and flax against loss in yield of such growing, unharvested,  
10      unthrashed, or unpicked crops due to unavoidable causes, in-  
11      cluding drought, flood, hail, wind, frost, winter-kill, lightning,



1 fire, excessive rain, snow, wildlife, hurricane, tornado, insect  
2 infestation, plant disease. Such insurance shall cover a per-  
3 centage to be determined by the Board not in excess of  
4 75 per centum of the recorded or appraised average yield  
5 of such commodities on the insured farm for a representative  
6 period subject to such adjustments as the Board may pre-  
7 scribe to the end that the average yields fixed for farms  
8 in the same area, which are subject to the same conditions,  
9 may be fair and just: *Provided, however,* That such insurance  
10 coverage shall not exceed the investment in the crop based  
11 on the cost, as determined by the Board, of preparing the  
12 land, of labor, seed, planting, cultivation, disease or insect  
13 control, harvesting, ginning, hauling to market, fertilizer,  
14 irrigation, use of the land, and other applicable costs as  
15 determined by the Board. Such insurance shall not cover  
16 losses due to the neglect or malfeasance of the producer, or  
17 to the failure of the producer to reseed to the same crop in  
18 areas and under circumstances where it is customary to so  
19 reseed, or to the failure of the producer to follow established  
20 good farming practices. Insurance shall not be provided  
21 in any county unless written applications therefor are filed  
22 covering at least fifty farms or one-third of the farms nor-  
23 mally producing the agricultural commodities authorized to  
24 be insured, except that insurance may be provided for  
25 producers on farms situated in a local producing area border-

1 ing on a county with a crop-insurance program. The Board  
2 may limit insurance in any county or area, or on any farm,  
3 on the basis of the insurance risk involved.

4 “(2) For the purpose of determining the most practical  
5 plan, terms, and conditions of insurance with respect to corn,  
6 dry beans, oats, barley, rye, tobacco, rice, peanuts, soybeans,  
7 sugar beets, potatoes and other vegetables, citrus and other  
8 fruits, tame hay, and any other agricultural commodity, if  
9 sufficient actuarial data are available, as determined by the  
10 Board, to insure upon such terms and conditions not incon-  
11 sistent with the provisions of this title as it may determine,  
12 producers of such agricultural commodities against loss due  
13 to the unavoidable causes specified in paragraph (1) of this  
14 subsection. Insurance provided for any agricultural com-  
15 modity under this paragraph shall be limited to producers  
16 in not to exceed twenty representative counties selected by  
17 the Board for a period of not more than three years, and  
18 shall be subject to the limitations and conditions provided  
19 in paragraph (1) of this subsection: *Provided, however,* That  
20 such insurance coverage may be the same as the insurance  
21 coverage provided in paragraph (1) of this subsection or  
22 may cover a percentage not in excess of 75 per centum of  
23 the investment in the crop, determined in accordance with  
24 the provisions of paragraph (1) of this subsection. The



1 Corporation shall report to the Congress the results of its  
2 operations as to each commodity under this paragraph.”

3 SEC. 2. That subsection (b) of section 508 of the Fed-  
4 eral Crop Insurance Act, as amended, is amended to read as  
5 follows:

6 “(b) To fix adequate premiums for insurance in the  
7 agricultural commodity or in cash, at such rates as the Board  
8 deems sufficient to cover claims for crop losses on such insur-  
9 ance and to establish within a period of three years a reason-  
10 able reserve against unforeseen losses. Such premiums shall  
11 be collected at such time or times, or shall be secured in  
12 such manner, as the Board may determine: *Provided*, That,  
13 after the crop year of 1945, not more than a sum equivalent  
14 to 25 per centum of the premiums collected in the preceding  
15 year (beginning calculation of premiums collected in the  
16 crop year of 1945) shall be used for administrative expenses  
17 in any current operating year.”

18 SEC. 3. That subsection (c) of section 508 of the  
19 Federal Crop Insurance Act, as amended, is amended to  
20 read as follows:

21 “(c) To adjust and pay claims for losses in the agricul-  
22 tural commodity or in cash, under rules prescribed by the  
23 Board: *Provided, however*, That if the total amount of  
24 approved claims for losses on any agricultural commodity for  
25 any year exceeds the total amount of premiums collected

1 plus the accumulated premium reserves of the Corporation  
2 with respect to such commodity, such claims shall be paid  
3 on a pro rata reduced basis, but for the first three crop years  
4 with respect to which insurance has been in effect on any  
5 crop after the enactment of this Act the payment shall not  
6 be reduced by more than 15 per centum of the amount of  
7 the approved claim. The Corporation shall provide for the  
8 posting annually in each county at the county courthouse of  
9 list of indemnities paid for losses on farms in such county. In  
10 the event that any claim for indemnity under the provisions  
11 of this title is denied by the Corporation, an action on such  
12 claim may be brought against the Corporation in the United  
13 States district court, or in any court of record of the State  
14 having general jurisdiction, sitting in the district or county  
15 in which the insured farm is located, and jurisdiction is hereby  
16 conferred upon such district courts to determine such contro-  
17 versies without regard to the amount in controversy: *Pro-*  
18 *vided*, That no suit on such claim shall be allowed under this  
19 section unless the same shall have been brought within  
20 one year after the date when notice of denial of the claim  
21 is mailed to and received by the claimant.”

22 SEC. 4. That subsection (e) of section 508 of the  
23 Federal Crop Insurance Act, as amended, is hereby repealed.

24 SEC. 5. That section 518 of the Federal Crop Insurance  
25 Act, as amended, is amended to read as follows:



1       “SEC. 518. ‘Agricultural commodity’, as used in this  
2 title, means wheat, cotton, flax, corn, dry beans, oats, barley,  
3 rye, tobacco, rice, peanuts, soybeans, sugar beets, potatoes  
4 and other vegetables, citrus and other fruits, tame hay, or  
5 any other agricultural commodity determined by the Board  
6 pursuant to subsection (a) (2) of section 508 of this title,  
7 or any one or more of such commodities, as the context may  
8 indicate.”

Passed the House of Representatives November 22, 1944.

Attest:

SOUTH TRIMBLE,

*Clerk.*





78<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

H. R. 4911

---

## AN ACT

---

To amend the Federal Crop Insurance Act.

---

NOVEMBER 24 (legislative day, NOVEMBER 21), 1944

Read twice and referred to the Committee on  
Agriculture and Forestry







# TO AMEND THE FEDERAL CROP INSURANCE ACT

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## HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY

UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

SECOND SESSION

ON

### H. R. 4911

AN ACT TO AMEND THE FEDERAL  
CROP INSURANCE ACT

---

NOVEMBER 27 AND 28, 1944

---

Printed for the use of the Committee on Agriculture and Forestry





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# TO AMEND THE FEDERAL CROP INSURANCE ACT

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MONDAY, NOVEMBER 27, 1944

UNITED STATES SENATE,  
COMMITTEE ON AGRICULTURE AND FORESTRY,  
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in room 324, Senate Office Building, Senator Elmer Thomas (chairman) presiding.

Present: Senators Thomas (chairman), Wheeler, Bankhead, Bilbo, Gillette, Ellender, Capper, Willis, Aiken, and Bushfield.

The CHAIRMAN. The meeting will be in order.

This meeting is called to consider H. R. 4911, a bill to amend the Federal Crop Insurance Act.

Senator BILBO. Does it amend it or perpetuate it?

The CHAIRMAN. It is to extend it and amend it. The law still stands as it was passed originally.

I will ask that a copy of the bill as it passed the House be incorporated in the record, and following the printing of the bill, I will ask that a copy of the House report, which is not long, likewise be printed in the record.

(H. R. 4911 and H. Rept. No. 1592 are as follows:)

[H. R. 4911, 78th Cong., 2d sess.]

AN ACT To amend the Federal Crop Insurance Act

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subsection (a) of section 508 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"(a) (1) Commencing with the wheat, cotton, and flax crops planted for harvest in 1945, to insure, upon such terms and conditions not inconsistent with the provisions of this title as it may determine, producers of wheat, cotton, and flax against loss in yield of such growing, unharvested, unthrashed, or unpicked crops due to unavoidable causes, including drought, flood, hail, wind, frost, winter-kill, lightning, fire, excessive rain, snow, wildlife, hurricane, tornado, insect infestation, plant disease. Such insurance shall cover a percentage to be determined by the Board not in excess of 75 per centum of the recorded or appraised average yield of such commodities on the insured farm for a representative period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just: *Provided, however,* That such insurance coverage shall not exceed the investment in the crop based on the cost, as determined by the Board, of preparing the land, of labor, seed, planting, cultivation, disease or insect control, harvesting, ginning, hauling to market, fertilizer, irrigation, use of the land, and other applicable costs as determined by the Board. Such insurance shall not cover losses due to the neglect or malfeasance of the producer, or to the failure of the producer to reseed to the same crop in areas and under circumstances where it is customary to so reseed, or to the failure of the producer to follow established good farming practices. Insurance shall not be provided in any county unless written applications therefor are filed covering at least fifty farms or one-



third of the farms normally producing the agricultural commodities authorized to be insured, except that insurance may be provided for producers on farms situated in a local producing area bordering on a county with a crop-insurance program. The Board may limit insurance in any county or area, or on any farm, on the basis of the insurance risk involved.

"(2) For the purpose of determining the most practical plan, terms, and conditions of insurance with respect to corn, dry beans, oats, barley, rye, tobacco, rice, peanuts, soybeans, sugar beets, potatoes and other vegetables, citrus and other fruits, tame hay, and any other agricultural commodity, if sufficient actuarial data are available, as determined by the Board, to insure upon such terms and conditions not inconsistent with the provisions of this title as it may determine, producers of such agricultural commodities against loss due to the unavoidable causes specified in paragraph (1) of this subsection. Insurance provided for any agricultural commodity under this paragraph shall be limited to producers in not to exceed twenty representative counties selected by the Board for a period of not more than three years, and shall be subject to the limitations and conditions provided in paragraph (1) of this subsection: *Provided, however,* That such insurance coverage may be the same as the insurance coverage provided in paragraph (1) of this subsection or may cover a percentage not in excess of 75 per centum of the investment in the crop, determined in accordance with the provisions of paragraph (1) of this subsection. The Corporation shall report to the Congress the results of its operations as to each commodity under this paragraph."

SEC. 2. That subsection (b) of section 508 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"(b) To fix adequate premiums for insurance in the agricultural commodity or in cash, at such rates as the Board deems sufficient to cover claims for crop losses on such insurance and to establish within a period of three years a reasonable reserve against unforeseen losses. Such premiums shall be collected at such time or times, or shall be secured in such manner, as the Board may determine: *Provided,* That, after the crop year of 1945, not more than a sum equivalent to 25 per centum of the premiums collected in the preceding year (beginning calculation of premiums collected in the crop year of 1945) shall be used for administrative expenses in any current operating year."

SEC. 3. That subsection (c) of section 508 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"(c) To adjust and pay claims for losses in the agricultural commodity or in cash, under rules prescribed by the Board: *Provided, however,* That if the total amount of approved claims for losses on any agricultural commodity for any year exceeds the total amount of premiums collected plus the accumulated premium reserves of the Corporation with respect to such commodity, such claims shall be paid on a pro rata reduced basis, but for the first three crop years with respect to which insurance has been in effect on any crop after the enactment of this Act the payment shall not be reduced by more than 15 per centum of the amount of the approved claim. The Corporation shall provide for the posting annually in each county at the county courthouse of list of indemnities paid for losses on farms in such county. In the event that any claim for indemnity under the provisions of this title is denied by the Corporation, an action on such claim may be brought against the Corporation in the United States district court, or in any court of record of the State having general jurisdiction, sitting in the district or county in which the insured farm is located, and jurisdiction is hereby conferred upon such district courts to determine such controversies without regard to the amount in controversy: *Provided,* That no suit on such claim shall be allowed under this section unless the same shall have been brought within one year after the date when notice of denial of the claim is mailed to and received by the claimant."

SEC. 4. That subsection (e) of section 508 of the Federal Crop Insurance Act, as amended, is hereby repealed.

SEC. 5. That section 518 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"SEC. 518. 'Agricultural commodity', as used in this title, means wheat, cotton, flax, corn, dry beans, oats, barley, rye, tobacco, rice, peanuts, soybeans, sugar beets, potatoes and other vegetables, citrus and other fruits, tame hay, or any other agricultural commodity determined by the Board pursuant to subsection

(a) (2) of section 508 of this title, or any one or more of such commodities, as the context may indicate."

Passed the House of Representatives November 22, 1944.

Attest:

SOUTH TRIMBLE, *Clerk.*

[H. Rept. No. 1592, 78th Cong., 2d sess.]

The Committee on Agriculture, to whom was referred the bill (H. R. 4911) to amend the Federal Crop Insurance Act, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### PRESENT STATUS OF CROP INSURANCE

The Department of Agriculture Appropriation Act, 1944, in the item which appropriated funds for administrative and operating expenses under the Federal Crop Insurance Act, approved February 16, 1938, as amended, provided that "no part of this appropriation shall be used for or in connection with the insurance of wheat and cotton crops planted subsequent to July 31, 1943, or for any other purposes except in connection with the liquidation of insurance contracts on wheat and cotton crops planted prior to July 31, 1943." As a consequence, no crops produced for harvest in 1944 are insured.

#### NEED FOR CROP INSURANCE PROGRAM

In the discussion of the Agricultural Appropriation Act for 1944 on the floor of the House, it was apparent that the substantial losses suffered by the Federal Crop Insurance Corporation was the reason for discontinuing the program. The need or the desirability of crop insurance for American farmers was not then nor has not since been questioned. If farmers are to receive this protection, it must be made available by the Government as it is not available from other insurance sources.

Crop insurance protection gives farmers a more stable income and makes farming a more sound and profitable occupation. Moreover, it helps farmers as a group to carry their own relief burden resulting from agricultural catastrophes and thus reduces the burden of heavy public relief when catastrophes occur. The committee feel that the benefits from a widely used and sound system of crop insurance are so great that the unsatisfactory experiences of a short development period should not be a basis for the discontinuance of the program. In view of the widespread public benefits and the long-time importance of this program, the committee have given careful consideration to this program and to the numerous bills which have been introduced to continue the program.

In its consideration of the various bills proposing amendments to the Federal Crop Insurance Act, the committee conducted extensive hearings and appointed a subcommittee to study the matter and draft the necessary legislation to put crop insurance on a sound financial basis. H. R. 4426 was then prepared and introduced by the chairman and considered by the full committee. In reply to a request for a report on this bill, the War Food Administrator submitted the following report:

APRIL 18, 1944.

HON. HAMPTON P. FULMER,  
*Chairman, Committee on Agriculture,  
House of Representatives.*

DEAR MR. FULMER: This is in reply to your letter of March 21, 1944, asking for a report on H. R. 4426, a bill to amend the Federal Crop Insurance Act.

This bill provides for insurance on wheat and cotton crops commencing with the 1945 crop and for insurance on field corn in the commercial corn producing area, tobacco, and rice commencing with the 1946 crop. It provides that the insurance of wheat shall continue to be based upon a percentage of the average yield with a provision, however, that the coverage shall be reduced to the extent that abandonment or other use of the insured acreage results in a savings in cost to the producer. Insurance on the commodities other than wheat would be against loss of the investment in the crop. The coverage would not exceed 75 percent of the investment, including an amount for the use of the land. The bill provides that if the premiums on any commodity in any county exceed indemnities in any year, one-half of the excess would be carried as a county balance and that in any year when the total of the premiums plus such balance is less than the approved claims for loss, the claims would be paid on a pro rata reduced basis, but in no event would the payment be reduced by more than 15



percent of the approved claim as a result of proration. Insurance would not be provided in any county unless written applications were filed covering at least 100 farms or one-third of the farms normally producing crops eligible for insurance.

We recommend that insurance for corn, tobacco, and rice not be included in present legislation so that the new features of this bill can be given an opportunity to be tried out first on the two crops formerly insured until such time as their effectiveness has been demonstrated. We also recommend that the insurance for cotton be based on a percentage (not more than 75 percent) of the average yield with a limitation that the coverage shall not exceed the investment in the crop as defined in this bill.

I have, as you know, recently expressed to you my belief that crop insurance is essential to a well balanced agricultural program. Farmers should have some source from which they can purchase protection against crop losses over which they have no control. The need for crop insurance is well recognized and its security value to farmers has been demonstrated. The restoration of crop insurance would stabilize and implement production by enabling farmers who suffer a crop loss to continue in production. The provisions of this bill and the modifications we have suggested are restrictive and designed to place the crop-insurance program on a sounder financial basis. Although the protection to farmers provided thereby would not be as great as under the present act, it would, in my judgment, afford substantial protection to them and at the same time would overcome many of the objections to the original program by placing the insurance on a more conservative basis.

Subject to the modifications suggested above, we favor the enactment of H. R. 4426.

The Bureau of the Budget advises that it has "no objection to the enactment of the above-mentioned bill if amended to exclude insurance on corn, rice, and tobacco crops."

Sincerely,

MARVIN JONES, *Administrator.*

The committee gave further consideration to the recommendations of the War Food Administrator and to the proposals of others, and the chairman introduced a new bill representing the views of the committee upon all of the recommendations made to it. It is this new bill, H. R. 4911, which is herewith reported.

#### THE CROP INSURANCE RECORD

Wheat has been insured for 5 years and cotton for 2 years. During that time approximately 2,100,000 wheat and cotton farmers have been insured. This represented insurance on about 56,000,000 acres of crops with a guaranteed income of about \$586,000,000. Indemnities for loss of crops were paid to about 588,000 farmers representing a total of about \$80,000,000. This money was paid to farmers, not in addition to their normal income, but as a substitute for the income they had lost as a result of crop failures. Out of the \$80,000,000 paid, farmers themselves contributed \$52,000,000 as premiums. Thus, the Corporation has experienced considerable losses but the committee recognizes that progress has been made in this relatively untried field and believes that with certain desirable changes the Corporation will be able to operate the program over a period of years without loss.

#### PROBLEMS ENCOUNTERED IN CROP INSURANCE

The committee has studied the program in an effort to determine why losses have been incurred and to determine what changes might be desirable to improve the situation. A large part of the loss was sustained as a result of selectivity in insurance. Soil moisture conditions at the time of seeding and even some months in advance have such an important bearing on the prospects for a wheat crop that farmers have often insured when soil moisture was depleted and carried their own risks when moisture was plentiful. The only solution to this problem is a long-term contract. The original act prohibited the use of a term contract during the first 3 years of operation. It has been estimated that had the term contract been in effect during the first 4 years of the wheat insurance program, it would have saved the Corporation approximately 5½ million bushels or reduced the deficit by approximately one-fourth.

The committee has also given consideration to the adequacy of the premium rates charged by the Corporation. It is realized that the solution to the problem of continued losses cannot be found in merely increasing premium rates. Exces-

sive premium rates would tend to discourage participation by those farmers who are the best insurance risks. Apparently, however, the premium rates have been inadequate in some areas. In order to correct this situation, the Corporation had increased its premium rates to such an extent that the general average in 1943 was 11 percent above that in the early years. If these rates had been in effect for the first 4 years, there would have been a saving of about 5½ million bushels or about one-fourth of the deficit during that period. There will undoubtedly be further increases needed in some areas.

The committee feels that the insurance coverage has been too high where the crop has not been carried through to harvest, thus providing an opportunity for the insured to receive an indemnity greater than the financial loss he has suffered. The payment of the full indemnity in such cases encourages requests for permission to abandon a poor crop which ordinarily would be carried to completion, possibly with good results. A sound insurance plan should encourage the insured to obtain his income from his crop rather than from his insurance contract. The committee feels, therefore, that the insurance coverage should be limited so as to accomplish this result.

To meet these problems and to place the program on a sound financial basis, it appears that a general tightening of the existing legislation is necessary. The bill reported herewith represents the judgment of the committee as to how this should be accomplished.

#### PROVISIONS OF THE BILL

Section 1 of the bill authorizes insurance on wheat, cotton, and flax. It provides that the insurance coverage shall not be greater than 75 percent of the average yield for the insured farm but with the restriction that the coverage shall also not be greater than the investment in the crop. This would be a more conservative type of insurance under which the insured would find it less advantageous to abandon the crop and collect the indemnity than under the former plan. This bill would retain the advantages of the original plan of insurance based on the average yield, but would not permit the insured to make a profit on his insurance. Since the investment may be less than 50 percent of the average yield for the farm, the minimum of 50 percent in the existing law has been removed.

To reduce administrative expenses, a minimum participation requirement has been included. It requires that insurance will not be provided in any county unless written applications are filed covering at least 100 farms, or if not 100 farms, covering at least one-third of the farms normally producing the agricultural commodities authorized to be insured, except that insurance may be provided for producers on farms situated in a local producing area bordering on a county with a crop-insurance program. This would provide an insurance program in counties where there is a demand for insurance and would save the cost of operation in other counties. This provision would also induce farmers who are interested in insurance to help get the required number of applications in the county.

A provision has been included which clarifies the Corporation's authority to limit or refuse insurance in any county or area or on any farm on the basis of the insurance risk involved. Under circumstances where a loss is imminent or it is impossible to determine the risk or where insurance experience has been so unfavorable as to preclude the possibility of a sound insurance program, the Corporation would be authorized to refuse insurance.

Section 1 also provides for trial insurance on other crops. This has been included because of numerous requests for an insurance program on additional crops. The committee feels that while it is attempting to place the program for wheat, cotton, and flax on a sound financial basis, it should also provide for trial insurance on other crops in limited representative counties. In this manner the Congress will be able to determine whether insurance on other crops is feasible without the expenditure of a large amount of money. The bill, therefore, provides that the Corporation be authorized to provide insurance with respect to corn, tobacco, rice, peanuts, soybeans, sugar beets, citrus fruits, tame hay, and any other agricultural commodity, if actuarial data are determined to be available, in not to exceed 20 representative counties for each commodity for a period of not more than 3 years. Under this provision the Corporation would try out insurance with respect to each commodity in counties representative of the various areas producing the commodity. While insurance is authorized in not more than 20 counties for each commodity, it is not contemplated that insurance will be provided in a greater number of counties than is required to furnish a satisfactory test of the insurance or with respect to



any crop unless actuarial data are available to the extent required for a satisfactory trial program. At the end of the trial period, the Corporation would report the result of its operations to the Congress.

Section 2 provides for the establishment of premiums deemed adequate to cover claims for crop losses and to establish within a 3-year period a reasonable reserve against unforeseen losses. Thus, the Corporation would establish premium rates sufficient to build reserves in good crop years to offset heavy or unforeseen losses in bad crop years.

Section 3 of the bill provides that if the total amount of approved claims on any agricultural commodity for any year exceeds the total amount of premiums collected plus the accumulated premium reserves with respect to such commodity, such claims shall be paid on a pro rata reduced basis. An unrestricted proration provision might discourage participation until it is shown that the changes required by this bill would not result in substantially reduced insurance protection. Consequently, it was thought that during the first 3 years this provision is in effect the reduction should not exceed 15 percent. The committee feels that any accumulation of reserves under this bill should be used only for the payment of future indemnities. A provision has also been included which directs the posting of a list of indemnities for losses on farms in each county. In connection with the proration provisions, it is only fair that all farmers in the county should be informed as to the amount paid to other farmers.

Section 4 of the bill eliminates the provision of existing law authorizing additional indemnity in return for additional premium to cover the loss of cottonseed. This has been eliminated because, if the insurance is limited to the investment in the crop, the payment of an additional indemnity for loss of cottonseed would enable the insured to obtain more than his investment in the crop, thus making a profit on his insurance.

Section 5 redefines "agricultural commodity" consistent with the provisions of this bill.

#### CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no changes is proposed is shown in roman) :

Federal Crop Insurance Act, as amended :

"SEC. 503. To carry out the purposes of this title the Corporation is authorized and empowered—

"[ (a) Commencing with the wheat crop planted for harvest in 1939 and with the cotton crop planted for harvest in 1942 ] (a) (1) *Commencing with the wheat, cotton, and flax crops planted for harvest in 1945*, to insure, upon such terms and conditions not inconsistent with the provisions of this title as it may determine, producers of [the agricultural commodity] *wheat, cotton, and flax* against loss in yield[s] of the agricultural commodity due to unavoidable causes, including drought, flood, hail, wind, winterkill, lightning, tornado, insect infestation, plant disease, and such other unavoidable causes as may be determined by the Board [ : *Provided, however*, That for the first three years of operation under this title contracts of insurance shall not be made for periods longer than one year: *Provided further*, That the Corporation may, upon such terms and conditions as it shall determine, accept payments from producers in any year to be applied toward premiums on their insurance contracts for the current and next succeeding year.]

*Such insurance shall cover a percentage to be determined by the Board not in excess of 75 per centum of the recorded or appraised average yield of such commodities on the insured farm for a representative period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just: Provided, however, That such insurance coverage shall not exceed the investment in the crop based on the cost, as determined by the Board, of preparing the land, of labor, seed, planting, cultivation, disease or insect control, harvesting, ginning, hauling to market, fertilizer, irrigation, use of the land, and other applicable costs as determined by the Board. Such insurance shall not cover losses due to the neglect or malfeasance of the producers or to the failure of the producer to reseed to the same crop in areas and under circumstances where it is customary to so reseed [ . Such insurance shall cover not less than 50 or more than 75 per centum, to be determined by the Board, of the recorded or appraised average yield of the agricultural commodity on the insured farm*

for a representative based period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just. The Board may condition the issuance of such insurance in any county or area upon a minimum amount of participation in a program of crop insurance formulated pursuant to this title.], or to the failure of the producer to follow established good farming practices. Insurance shall not be provided in any county unless written applications therefor are filed covering at least one hundred farms or one-third of the farms normally producing the agricultural commodities authorized to be insured, except that insurance may be provided for producers on farms situated in a local producing area bordering on a county with a crop-insurance program. The Board may limit insurance in any county or area, or on any farm, on the basis of the insurance risk involved.

“(a) (2) For the purpose of determining the most practical plan, terms, and conditions of insurance with respect to corn, tobacco, rice, peanuts, soybeans, sugar beets, citrus fruits, tame hay, and any other agricultural commodity, if sufficient actuarial data are available, as determined by the Board, to insure upon such terms and conditions not inconsistent with the provisions of this title as it may determine, producers of such agricultural commodities against loss due to the unavoidable causes specified in paragraph (1) of this subsection. Insurance provided for any agricultural commodity under this paragraph shall be limited to producers in not to exceed twenty representative counties selected by the Board for a period of not more than three years, and shall be subject to the limitations and conditions provided in paragraph (1) of this subsection: Provided, however, That such insurance coverage may be the same as the insurance coverage provided in paragraph (1) of this subsection or may cover a percentage not in excess of 75 per centum of the investment in the crop, determined in accordance with the provisions of paragraph (1) of this subsection. The Corporation shall report to the Congress the results of its operations as to each commodity under this paragraph.

“(b) To fix adequate premiums for [such] insurance [], payable either in the agricultural commodity or cash equivalent as of the due date thereof, on the basis of the recorded or appraised average crop loss of the agricultural commodity on the insured farm for a representative base period subject to such adjustments as the Board may prescribe to the end that the premiums fixed for farms in the same area, which are subject to the same conditions, may be fair and just. Such premiums shall be collected at such time or times, in such manner, and upon such security as the Board may determine.] in the agricultural commodity or in cash, at such rates as the Board deems sufficient to cover claims for crop losses on such insurance and to establish within a period of three years a reasonable reserve against unforeseen losses. Such premiums shall be collected at such time or times, or shall be secured in such manner, as the Board may determine.

(c) To adjust and pay claims for losses [either] in the agricultural commodity or in cash [equivalent] under rules prescribed by the Board[.]: Provided, however, That if the total amount of approved claims for losses on any agricultural commodity for any year exceeds the total amount of premiums collected plus the accumulated premium reserves of the Corporation with respect to such commodity, such claims shall be paid on a pro rata reduced basis but for the first three crop years with respect to which insurance has been in effect on any crop after the enactment of this Act the payment shall not be reduced by more than 15 per centum of the amount of the approved claim. The Corporation shall provide for the posting annually in each county at the county courthouse of a list of indemnities paid for losses on farms in such county. In the event that any claim for indemnity under the provisions of this title is denied by the Corporation, an action on such claim may be brought against the Corporation in the United States district court [of the United States in and for the district], or in any court of record of the State having general jurisdiction, sitting in the district or county in which the insured farm is located, and [exclusive] jurisdiction is hereby conferred upon such district courts to determine such controversies without regard to the amount in controversy: Provided, That no suit on such claim shall be allowed under this section unless the same shall have been brought within one year after the date when notice of denial of the claim is mailed to and received by the claimant.

“[(e) In connection with insurance upon yields of cotton, to include provision for additional premium and indemnity in terms of lint cotton to cover loss of cottonseed, such additional premium and indemnity to be determined on the basis of the average relationship between returns from cottonseed and returns from



lint cotton for the same period of years as that used for computing yields and premium rates.】

“SEC. 518. ‘Agricultural commodity’ as used in this [Act, means wheat or cotton, or both,】 title, means wheat, cotton, flax, corn, tobacco, rice, peanuts, soybeans, sugar beets, citrus fruits, tame hay, or any other agricultural commodity determined by the Board pursuant to subsection (a) (2) of section 508 of this title, or any one or more of such commodities, as the context may indicate.”

The CHAIRMAN. We have with us this morning Mr. Wright, who has charge of this branch of the Agriculture Department, and we will hear him first.

**STATEMENT OF J. CARL WRIGHT, MANAGER, FEDERAL CROP INSURANCE CORPORATION (ACCOMPANIED BY WILLIAM H. ROWE, FEDERAL CROP INSURANCE CORPORATION, AND JOHN C. BAGWELL, SOLICITOR'S OFFICE, DEPARTMENT OF AGRICULTURE)**

The CHAIRMAN. You may give your full name to the reporter.

Mr. WRIGHT. J. Carl Wright.

The CHAIRMAN. What is your official position?

Mr. WRIGHT. Manager, Federal Crop Insurance Corporation.

The CHAIRMAN. How long have you been occupying that position?

Mr. WRIGHT. Since September 1943.

The CHAIRMAN. You may proceed if you will and state what you think will be appropriate.

I understand there are two amendments that you have in mind to suggest to the committee—two amendments to the bill as it passed the House. Do you have the text of those two amendments?

Mr. WRIGHT. We do have, Senator.

The CHAIRMAN. When you come to them in your presentation, you may present the amendments and then discuss them.

Mr. WRIGHT. How would you like for me to proceed, Mr. Chairman? Would you like for me to discuss some of the provisions of the bill, or discuss largely the amendment proposals?

The CHAIRMAN. I would like for you first to make a statement as to the origin of the crop-insurance program, when it was passed and how it operated, and briefly bring it down to date; tell us what the Congress has done with it and why this legislation is thought necessary.

Mr. WRIGHT. The crop-insurance program was passed by the Congress in 1938. The first year's operation was in the insurance of the 1939 winter-wheat crop. We insured the 1940, 1941, 1942, and 1943 wheat crops, and in 1941 the program was expanded to include insurance of cotton. We insured the 1942 and 1943 cotton crops.

Senator BANKHEAD. You insured two crops?

Mr. WRIGHT. Insured two crops, Senator; the 1942 crop and 1943 cotton crop; giving us 2 years' operations on cotton and 5 years' operations on wheat. During that time a total of 629,288 farmers were indemnified for losses to crops. We had insurance in effect on 1,989,607 farms. As you know, we lost money on the operations. Our premiums were not sufficient to pay the indemnities.

Senator BUSHFIELD. Mr. Chairman, may I ask a question?

The CHAIRMAN. Proceed.

Senator BUSHFIELD. Mr. Wright, have you the figures with you as to the losses each year since this program has been in effect on the two respective crops?

Mr. WRIGHT. Yes, sir.

Senator BUSHFIELD. I would like to have you state them for the record.

Mr. WRIGHT. The loss in dollars on the wheat was \$26,200,177.89.

Senator AIKEN. What was the amount that you insured?

Mr. WRIGHT. We insured for 75 percent of the average yield.

Senator AIKEN. What was the value of the crop? What percentage of the total crop was that, that \$27,000,000?

Mr. WRIGHT. On wheat the last year we had a little in excess of 30 percent, somewhere around 33 percent. We had on cotton only about 9 percent.

Senator AIKEN. You do not mean 33 percent of the amount insured was lost?

Mr. WRIGHT. No. We had a little in excess of 30 percent of the wheat farmers that were insured.

Senator AIKEN. Thirty percent of the wheat farmers were insured?

Mr. WRIGHT. Yes.

Senator AIKEN. And \$27,000,000 was lost?

Mr. WRIGHT. That is right.

Senator BANKHEAD. Do you know what the value of wheat crop in money was, the crop that was insured?

Mr. WRIGHT. The potential liability?

Senator BANKHEAD. Yes.

Senator AIKEN. Is that spring and winter wheat, both?

Mr. WRIGHT. Yes, sir; \$586,000,000.

Senator BUSHFIELD. My question, Mr. Wright, was, if you have it all the way from the beginning?

Mr. WRIGHT. Yes.

Senator BUSHFIELD. I would like to have that broken down year by year, the loss each year.

Mr. WRIGHT. In 1939 there was a deficit on wheat of \$2,000,000 plus. Would you like me to read the exact figures?

Senator BUSHFIELD. No.

Mr. WRIGHT. In 1940 there was \$4,700,000 loss. In 1941 there was \$7,646,000 loss. In 1942 there was a \$3,480,000 loss, and in 1943 there was an \$8,166,000 loss. I would like for you to keep in mind in reference to 1943 that was during the period of liquidation. That no doubt had some effect on the amount of losses paid.

Senator AIKEN. I think you said there was some 33 percent loss.

Mr. WRIGHT. No, sir; we had 33 percent of the wheat farms insured.

Senator AIKEN. I see.

Senator BANKHEAD. That is the number of farms and not acreage?

Mr. WRIGHT. That is right.

Senator BUSHFIELD. To get the matter clear in my own mind as to this loss of \$26,000,000, you mean that is the amount that the Government paid out under this program?

Mr. WRIGHT. That is right.

Senator BUSHFIELD. Was there any recompense from the insured back to the Government?

Mr. WRIGHT. As you will no doubt recall, the Congress provided for a capital fund of \$100,000,000, and this \$26,000,000 that I am speaking of has been paid out of the capital fund. That is in excess of the premiums paid by the farmers over that period.



Senator BUSHFIELD. Have you any figures on the total amount of premiums paid in?

Mr. WRIGHT. Yes, sir.

Senator BUSHFIELD. Will you please state that?

Mr. WRIGHT. The total amount of premiums paid in is \$38,735,000.

Senator BUSHFIELD. How much has been paid in on cotton?

Mr. WRIGHT. \$13,155,000.

Senator BUSHFIELD. That has only been in effect for how long? for 3 years?

Mr. WRIGHT. Two years on cotton.

Senator BUSHFIELD. Two years on cotton?

Mr. WRIGHT. That is right; yes, sir.

Senator WHEELER. Your loss on that was \$11,000,000?

Mr. WRIGHT. The loss on cotton was \$11,000,000; that is correct.

Senator GILLETTE. In the case of wheat, what was the principal cause of the loss?

Mr. WRIGHT. It varied from year to year. In the early years of the program, in 1939, we had a severe drought out in the plains area. Later, the moisture condition became better out there and our losses were not so heavy, but neither did we have as much insurance out there, because the conditions were better, so far as the farmers were concerned. Then, in 1940, we had a lot of rust.

You have a statement on that, have you, Mr. Rowe?

Mr. ROWE. I would say in 1940, 75 percent of our losses were through drought; about 75 percent in 1939, and in 1941, 57 percent of our wheat losses were due to winter kill. In 1942 our heaviest losses resulted from wet weather and winter kill.

Senator BANKHEAD. What is winter kill?

Mr. WRIGHT. That is because of a freeze.

Senator BUSHFIELD. Winter weather kills it.

Mr. WRIGHT. If the weather gets too cold, if we have cold, wet weather the wheat just cannot take it.

The CHAIRMAN. Back in Indiana a winter kill meant that we had freezes and thaws.

Mr. WRIGHT. Yes.

The CHAIRMAN. When it freezes it forces the stem of the roots of the wheat up from underground and then it thaws, then it freezes again and thaws them back out. I have seen the butt of the straw 6 or 8 inches above the ground in the spring. That means the wheat will not do any good. That is what winter kill would mean back in Indiana. It does not do that in Oklahoma, because we do not have freezes there.

Senator GILLETTE. Is some percentage of that winter kill due to overgrazing on farms?

Mr. WRIGHT. No; not necessarily. It is entirely due to weather conditions.

Senator WHEELER. It is the winter wheat that is killed. It is the wheat that is planted in the fall.

Mr. WRIGHT. Yes.

The CHAIRMAN. We will put a copy of the data you have read from in the record in connection with your testimony.

(The table referred to is as follows:)

TABLE 2.—Federal crop-insurance experience—United States summary, by years, as of June 30, 1944

| Commodity and crop year | Farms insured <sup>1</sup> |                    |             | Commodity basis |                    |            |             |                            | Monetary basis |               |  |                            |
|-------------------------|----------------------------|--------------------|-------------|-----------------|--------------------|------------|-------------|----------------------------|----------------|---------------|--|----------------------------|
|                         | Insurance written          | Insurance in force | Indemnities | Insured acreage | Insured production | Premiums   | Indemnities | Surplus (+) or deficit (—) | Premiums       | Indemnities   | Gain or loss from commodity transactions | Surplus (+) or deficit (—) |
| Wheat:                  | Number                     | Number             | Number      | Acres           | Bushels            | Bushels    | Bushels     | Bushels                    | Dollars        | Dollars       | Dollars                                  | Dollars                    |
| 1939                    | 165,775                    | 165,775            | 55,932      | 7,010,390       | 60,826,075         | 6,670,315  | 10,163,899  | —3,493,584                 | 3,410,940.10   | 5,601,561.79  | —1,417.71                                | —2,192,039.40              |
| 1940                    | 360,596                    | 360,596            | 112,762     | 12,754,834      | 108,284,574        | 13,796,798 | 22,898,147  | —9,101,349                 | 9,155,062.21   | 13,694,263.62 | —175,225.59                              | —4,714,427.00              |
| 1941                    | 420,940                    | 371,390            | 130,774     | 11,734,263      | 104,306,380        | 12,643,051 | 18,857,243  | —6,214,192                 | 7,096,366.64   | 18,925,433.85 | 4,182,654.71                             | —7,646,412.50              |
| 1942                    | 504,047                    | 400,043            | 108,368     | 2 9,630,265     | 88,063,150         | 8,769,715  | 10,574,927  | —1,805,212                 | 8,447,498.18   | 13,666,902.68 | 1,738,922.15                             | —3,480,482.35              |
| 1943                    | 487,663                    | 357,733            | 133,076     | 2 8,148,800     | 2 75,264,000       | 8,035,124  | 13,209,955  | —5,174,831                 | 10,625,480.33  | 19,705,072.29 | 912,775.32                               | —8,166,816.64              |
| Total wheat             | 1,655,537                  | 1,655,537          | 540,912     | 49,278,552      | 436,744,179        | 49,915,003 | 75,704,171  | —25,789,168                | 38,735,347.46  | 71,593,234.23 | 6,657,708.88                             | —26,200,177.89             |
| Cotton:                 |                            |                    |             |                 | Pounds             | Pounds     | Pounds      | Pounds                     |                |               |  |                            |
| 1942                    | 169,072                    | 169,072            | 47,744      | 2 816,462       | 407,611,601        | 31,435,750 | 52,536,269  | —21,100,519                | 6,302,938.89   | 11,254,151.87 | 297,840.90                               | —4,743,372.08              |
| 1943                    | 164,998                    | 164,998            | 40,632      | 2 2,690,279     | 2 386,690,312      | 30,744,370 | 56,800,979  | —26,056,609                | 6,852,495.82   | 13,006,746.01 | —125,795.40                              | —6,280,045.59              |
| Total cotton            | 334,070                    | 334,070            | 88,376      | 5,506,741       | 794,301,913        | 62,180,120 | 109,337,248 | —47,157,128                | 13,155,434.71  | 24,260,897.88 | 82,045.50                                | —11,023,417.67             |
| Other charges           |                            |                    |             |                 |                    |            |             |                            |                |               |  | —3,448.00                  |
| Total                   | 1,989,607                  | 1,989,607          | 629,288     | 54,785,293      |                    |            |             |                            | 51,890,782.17  | 95,854,132.11 | 6,739,754.38                             | —37,227,043.56             |

<sup>1</sup> Includes duplication where both landlord and tenant are insured.<sup>2</sup> Estimated.



Senator WHEELER. Where was this loss in 1943?

Mr. WRIGHT. In 1939 and 1940 the large part of the loss was in the Great Plains area, Senator. From then on a good portion of the loss has been in the North Central States, Illinois, Indiana, Ohio, eastern Kansas, and eastern Nebraska. In 1941 the losses pretty well were between the two areas, the eastern and western areas. It is very peculiar that in the early years we had practically all of the losses in the western part of the Plains area, and in 1941 it was just about in between, and then in 1942 and 1943 it moved into the North Central and Central areas where they had winter kill and too much moisture and generally a very low yield.

Senator WHEELER. Upon what do you base the yield before you start paying?

Mr. WRIGHT. The yield is established on the individual farm, based on the history for the farm.

Senator WHEELER. Based on that particular farm?

Mr. WRIGHT. Yes.

Senator BANKHEAD. For how long?

Mr. WRIGHT. Well, I believe about 15 years.

Senator BUSHFIELD. Do you have a record for 15 years on the individual farm?

Mr. WRIGHT. Not complete. It is necessary to appraise yields on the individual farms where the records are not available, and in some instances it is necessary to make appraisals, until very recent years.

Senator BUSHFIELD. It would have to be a guess, would it not, in effect, because until the A. A. A. program went into effect you did not have any history?

Mr. WRIGHT. Those early years were brought in largely on the basis of county yields.

Senator WHEELER. Did you have a record of the county yields?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. How do you arrive at the amount of premiums to be charged or assessed?

Mr. WRIGHT. On the individual farm?

The CHAIRMAN. On the entire program?

Mr. WRIGHT. The individual premium was arrived at in this manner: We took the period of years used as history and insured 75 percent of the average yield for the farm. We determined the loss those years when the yield on the individual farm fell below the 75 percent and totaled the losses for that period and divided it by the number of years in the period, and that would give us the loss history for the farm.

Senator WHEELER. In cotton, in 1943, you had premiums paid of \$6,852,000; you had a loss of \$6,280,000, so, you must have had to put out at least \$12,000,00 in losses.

Mr. ROWE. \$13,000,000 losses.

Senator WHEELER. Yes, you had \$13,000,000 in losses.

Mr. WRIGHT. \$13,150,000.

Senator WHEELER. What was the cause of that tremendous loss there?

Mr. WRIGHT. Well, we had some severe flood losses along the Mississippi, Arkansas, and some of the other rivers in the central part of the belt. Then, it was a very dry year in Texas and Oklahoma, and we also had a severe boll weevil infestation in certain sections of the

belt. I would say boll weevil, floods, and drought were the principal causes of losses on cotton in 1943.

The CHAIRMAN. How do the rates assessed in the farm premium compare with the rate assessed by private companies on a similar policy?

Mr. WRIGHT. Senator Thomas, there is not any insurance similar to this available to farmers. The only insurance that is available to farmers is on specific risks such as hail. There is not any all-risk crop insurance available.

Senator BANKHEAD. Is there any private insurance on tobacco?

Mr. WRIGHT. I believe on nothing except hail. Is there anything else, Mr. Rowe?

Mr. ROWE. No.

Mr. WRIGHT. Only hail.

The CHAIRMAN. Is it a fact that if this bill should become law the farmers would be insured against a crop failure from practically any cause?

Mr. WRIGHT. Almost any cause; yes, sir; beyond his control.

The CHAIRMAN. That is my interpretation of the bill.

Mr. WRIGHT. There is a provision on that that was placed in the bill in the House that I would like to discuss with you a little bit later. There was some indication over there that they would like to name the specific risks against which the farm would be insured. As it has been in the past, the Board of the Federal Crop Insurance Corporation, which was set up by the Secretary, has had certain leeway to determine certain hazards. It is hard to name them all in legislation.

Senator WHEELER. Let me ask you this.

Mr. WRIGHT. Yes.

Senator WHEELER. How can you tell whether it is beyond the farmer's control or not?

For instance, you take strip farming. People who did strip farming in Montana a few years ago raised crops during the drought while the men next to them who did not do strip farming had a complete failure. Do you base it on whether or not he did strip farming or whether or not he has sufficiently plowed his ground and taken care of it or whether he let it go to weeds, or whether he just put the wheat on top of the ground without sufficiently taking care of his land?

Mr. WRIGHT. Those determinations, Senator, are made by people out there who are acquainted with the individual and his operations.

Senator WHEELER. How in the name of God can they regulate it unless you have some definite standards set up?

Mr. WRIGHT. Pardon me?

Senator WHEELER. How can they take care of that unless they have some definite standards set up?

Mr. WRIGHT. I do not believe that there has been any difficulty in taking care of those things, Senator, in the past operations.

Senator BUSHFIELD. Are you through with your line of questions, Senator?

Senator WHEELER. Yes.

Senator BUSHFIELD. I would like to ask a question at that point, if I may. The intent of this provision was to make this thing self-supporting, was it not?



Mr. WRIGHT. Insofar as premiums and losses are concerned; yes, sir.

Senator BUSHFIELD. Why hasn't it been done?

Mr. WRIGHT. As you know, it is a new field. There has been no previous experience.

Senator BUSHFIELD. We have had 5 years' experience for the wheat.

Mr. WRIGHT. Yes.

Senator BUSHFIELD. Your losses have been greater every year. Here is what the bill says, on page 4, section (b) [reading]:

To fix adequate premiums for insurance in the agricultural commodity or in cash, at such rates as the Board deems sufficient to cover claims for crop losses on such insurance and to establish within a period of 3 years a reasonable reserve against unforeseen losses.

Now, you haven't got any reserve. You are \$26,000,000 in the hole on this program. Why hasn't the board established rates that would take care of this thing?

Mr. WRIGHT. That is taken care of in a provision of the bill.

Senator AIKEN. Mr. Wright.

Mr. WRIGHT. Yes, sir.

Senator AIKEN. You haven't had a period long enough to make a base period on which to establish rates?

Mr. WRIGHT. That is correct. There has not been sufficient time.

Senator AIKEN. If you used the last 5 years as a base period you would have to raise the premium?

Mr. WRIGHT. Or reduce the coverage; that is correct. Better administration would enter into it. If we have a number of years we can make a better program.

Senator AIKEN. Following up the question raised by Senator Wheeler as to the income of the producer, on line 9, page 2, of the bill, you have the proviso [reading]:

*Provided, however,* That such insurance coverage shall not exceed the investment in the crop based on the cost, as determined by the Board, of preparing the land, of labor, seed, planting, cultivation, disease, or insect control—

and so forth.

Mr. WRIGHT. Yes, sir.

Senator AIKEN. That means that "on the cost" would cover more than the actual amount of cash and time that he had invested in it.

Mr. WRIGHT. Yes, sir. That is also a new provision in the bill.

Senator AIKEN. It is a new provision?

Mr. WRIGHT. That is right.

Senator AIKEN. Do you think that will cut the losses?

Mr. WRIGHT. Yes, it will.

Senator WHEELER. How many people have you got insured?

How many farmers in Montana took out crop insurance?

Mr. WRIGHT. We had signed up in 1942, covering the 1943 crop, about 502,000 farms on wheat and 177,000 farms on cotton.

Senator GILLETTE. Mr. Chairman, may I ask a question?

Senator WHEELER. Just a minute.

Senator GILLETTE. Pardon me. I thought you were through.

Senator WHEELER. How many wheat farms do we have?

Mr. WRIGHT. Roughly, a million and a half.

Senator WHEELER. A million and a half wheat farms in the country?

Mr. WRIGHT. Yes.

Senator WHEELER. And you had about one-third of them insured?

Mr. WRIGHT. Almost one-third of the farms but not one-third of the acreage.

Senator WHEELER. One-third of the farms?

Mr. WRIGHT. Yes, sir.

Senator WHEELER. What proportion were in Montana? Have you got those figures?

Mr. ROWE. There were in 1943 about 2,600 wheat farms insured in Montana.

Senator BANKHEAD. 2,600, did you say?

Mr. ROWE. 2,600; yes.

Senator BANKHEAD. How many wheat farms in the State?

Mr. ROWE. We do not have it.

Senator BUSFIELD. Have you the number of wheat farms in my State, South Dakota?

Senator WHEELER. If you haven't got the wheat farms in Montana, how can you have it in the whole country?

Mr. WRIGHT. We just do not have it broken down here, Senator.

The CHAIRMAN. Senator Gillette, I believe you wanted to ask a question.

Senator GILLETTE. I wanted to ask a question with reference to subsection (2) on page 3, which provides that you can establish and put into effect certain experimental insurance studies with reference to all of these other crops that are defined as agricultural commodities, such as corn, sugar beets, potatoes, vegetables, citrus and other fruits, tame hay, by establishing an insurance program for 3 years in certain selected counties.

Mr. WRIGHT. Yes.

Senator GILLETTE. Twenty selected counties for a 3-year program.

Mr. WRIGHT. Yes.

Senator GILLETTE. I wonder if you discussed with your counsel the legal possibilities of such proposal, the legal objections to such a proposal as special legislation?

Mr. WRIGHT. Yes, I believe so.

Senator GILLETTE. And their opinion is that that can be authorized?

Mr. WRIGHT. Yes, sir.

Senator GILLETTE. That the Board can select certain counties and certain people to give the benefit of this program to for 3 years, to the exclusion of the rest of the country?

Mr. WRIGHT. Well, first, in selecting the commodities, it has to be on commodities for which there is sufficient actuarial data to establish a crop.

Senator GILLETTE. The point I am making is the legal effect of authorizing a program of selection for a 3-year period of certain privileged areas and communities that would have the benefit of this insurance to the exclusion of the rest of the country. I am wondering if they went into the legal phases of that.

Mr. WRIGHT. There has not been any objection offered by the office of the Solicitor.

The CHAIRMAN. Do you construe this bill, if enacted into law, to be a cooperative plan of insurance for farm commodities?



By that I mean that the law, when it is in operation, shall provide enough money to take care of the overhead expenses, which means administration, and to pay the premiums or pay the losses in such amounts as may be consistent.

Mr. WRIGHT. Senator, in the House there was a limitation placed in this bill that provided that not in excess of 25 percent of the previous year's premiums could be used for the payment of the administrative expenses. The gentleman who offered the amendment suggested that the Senate give study and consideration to that proposal. That offers certain difficulties in the administration of the program. In the first place, it is practically impossible to place a limitation like that on the program because we do not know just what the premiums will have been by the time the appropriation is made for that year. We will not know what the previous year's premiums were. Now, we are perfectly willing and happy to cooperate, and we are interested in spending as little money as possible for administration.

I would like to point out some of the problems that would be faced in that kind of a proposal. Insurance is a little different to most of the programs that we have. First, it requires a certain amount of expense to obtain applications for the insurance. After you get those applications there is certain other work in connection with that that you cannot determine because you do not know how many losses you are going to have. You have to service your policy or else it will cost the Government a lot of extra money. For instance, if we were to have only enough money to put the program in operation it would not be possible to determine the acreage that the farmer had seeded or to make an investigation or inspection, I should say, at the time the farmer has a loss. It is absolutely necessary in connection with an insurance program, to make an investigation and inspection when the farmer has a loss and to determine how much that loss was.

Senator BANKHEAD. Where is that provision in the bill? What page and what line?

Mr. ROWE. Page 4, line 12.

Mr. WRIGHT. Lines 12, 13, 14, and 15.

We might have very few losses and it would take very little funds for the loss angle of the program.

The CHAIRMAN. Let me ask you a question to make my point clear. If this bill becomes a law and its success is as you hope it to be, do you expect the law to bring into your department enough money year after year to build up a surplus and have a surplus carry-over, or from year to year fix the rate to such a point as to keep just about even, covering all the administrative expenses and payment of losses?

Mr. WRIGHT. I believe from the time the program was first placed in existence, Mr. Chairman, it has been the consensus of opinion in Congress, and is so stated in the record, that the Government would pay the administrative expenses. It has never been contemplated to place the administrative expenses into the premiums.

Senator WHEELER. What are your administrative expenses?

Mr. WRIGHT. How much?

Senator WHEELER. Yes.

Mr. WRIGHT. Last year, the last full year of operation, it was a little in excess of \$6,000,000.

Senator WHEELER. What are you including in your administrative expenses?

Mr. WRIGHT. That includes the full operation of the program, acquiring the data, establishing yields and rates for the farms, writing the business, determining acreages, and adjusting the losses.

Senator WHEELER. Of course, there isn't any other insurance company that does business that way.

Mr. WRIGHT. Pardon me?

Senator WHEELER. I say, no other insurance company does business in that way.

Senator BANKHEAD. No other insurance company is doing this kind of business, anyway. That is the reason this is before Congress.

Senator WHEELER. I say there is no other insurance company that could stand to have the administrative expenses not considered in the premiums.

Mr. WRIGHT. They all do have the administrative expenses in the premiums.

Senator WHEELER. Of course, but you do not.

Mr. WRIGHT. No, sir.

Senator WHEELER. The man that goes out and takes the application and the man who goes out and sizes up the field and says whether or not that is a loss—all that goes in administrative expenses.

Mr. WRIGHT. That is right.

Senator BANKHEAD. Has any insurance company been able, out of its income, to pay the administrative expenses and still build a reserve on crop insurance?

Mr. WRIGHT. Senator, some private companies have tried all-risk crop insurance and they have each time suffered considerable losses and withdrawn from the field. It is a field for which there is no protection. The farmer is about the only person that does not have an opportunity to protect himself.

Senator BANKHEAD. The only way he can get protection is through cooperation with the Government and a participation of the Government in the loss.

Mr. WRIGHT. That is right.

Senator BUSHFIELD. What justification have you for charging the whole country to insure one special group?

Let me make myself clear. I take it that the intent of the department or agency, or whatever you call yourself, is a self-supporting agency, except you do not figure in the administrative costs, therefore, you charge the general public this \$6,000,000 or whatever the amount is, to run this show. What justification have you got for charging all the people of America for running the crop-insurance plan that will put us \$6,000,000 in the hole all the time?

Senator BANKHEAD. I suggest that is a determination that has been made by Congress.

Mr. WRIGHT. That is correct.

Senator WILLIS. What was your last statement, Senator Bankhead?

Senator BANKHEAD. I said that that was a determination that had been made by Congress.

Senator WILLIS. It is the public welfare that you have in mind?

Senator BANKHEAD. Yes.

Senator WHEELER. Not a \$6,000,000, but you had, as a matter of fact, a \$12,000,000 loss, because you had \$6,000,000 of administrative ex-



penses and then you had on top of that \$6,000,000 more. For instance, you had \$8,000,000 in 1943 on wheat, and on top of that \$6,000,000 loss on cotton, and on top of that you had the \$6,000,000 administrative expenses, so, as a matter of fact, you had a \$20,000,000 loss.

Senator GILLETTE. And if you put into effect this experimental program on every other possible agricultural product, as you could, for 3 years, that means a tremendous increase in your administrative costs, does it not?

Mr. WRIGHT. Not necessarily. It would take some increase in personnel, certainly.

Senator GILLETTE. How in the world could you check on a program to determine the actuarial cost over a 3-year period by putting into effect crop insurance on oranges, tomatoes, or any other agricultural product without a tremendous increase in administrative cost?

Mr. WRIGHT. It would take some additional personnel, but not a big lot, because we would have to, of course, set up an actuarially sound approach to an insurance program for those commodities. Sometimes I doubt whether there is an actuarially sound approach. We have, for instance, tame hay included in here. I am not saying there is not a way of insuring tame hay, but we haven't, among ourselves, been able to determine how a program of insurance could be put into effect on tame hay. There are possibly some other crops on which it would be very difficult to determine an actuarially sound approach. I am sure the board of directors could not consent, under this bill, to put such a program into effect unless such determination could be made.

Senator GILLETTE. By whom? The purpose of the program is to determine the facts, you say, that are not determined.

Mr. WRIGHT. That is right.

Senator GILLETTE. It is an experimental program?

Mr. WRIGHT. That is correct.

Senator GILLETTE. And you cannot get the facts until you put the experimental program into effect.

Mr. WRIGHT. Yes; you have to get the history of production over a period of years and make your determination before you put the program in.

Senator GILLETTE. There is nothing to prevent the board from instituting a 3-year experimental program on any agricultural product.

Mr. WRIGHT. For which there is data available to institute a sound program.

Senator GILLETTE. Pardon me. I do not believe that language bears you out in that. It says [reading]:

For the purpose of determining the most practical plan, terms, and conditions of insurance—

Mr. WRIGHT. Lines 8 and 9.

Senator GILLETTE. Yes—

if sufficient actuarial data are available.

Mr. WRIGHT. Yes.

Senator GILLETTE. Who makes that determination?

Mr. WRIGHT. The board makes that determination.

Senator GILLETTE. And that is entirely discretionary with them?

Mr. WRIGHT. That is right.

Senator GILLETTE. As to whether they put into effect an experimental program?

Mr. WRIGHT. It would be discretionary with them as to whether there was sufficient data available.

Senator GILLETTE. To justify it?

Mr. WRIGHT. Yes.

Senator BANKHEAD. It is a matter of judgment if you use the word "discretion."

Mr. WRIGHT. Yes.

Senator WHEELER. Take it on tame hay, your experience would show that would be on the basis of a 3-year yield.

Mr. WRIGHT. I think, Senator, you would have to use another period of time than that. Three years is not long enough to determine what your history of losses is on an individual crop.

Senator WHEELER. I understood that was what you were figuring, the 3-year period.

Mr. WRIGHT. The program would operate for 3 years after it was in existence, and after the 3 years a report would be made to the Congress. The program could be operated for 3 years on any one commodity.

Senator WHEELER. In other words, you could put a program on for 3 years on tame hay, for instance.

Mr. WRIGHT. Yes.

Senator WHEELER. At the end of 3 years you would report to Congress.

Mr. WRIGHT. Yes.

Senator WHEELER. In the 3 years' time, how in the name of God are you going to determine the losses? You might have 3 fine years for tame hay—that is frequently the case, you have 3 very good years—and then you might have 3 very bad years. The same thing is true on wheat. You have a 3-year period of drought. If you have a 3-year period of drought in the Northwest, which we have had in the past, where they could not raise any hay at all, they could not feed the cattle, had to ship them out, what good would a 3-year program of that kind do? On the other hand, you have 3 wet years and you have three excellent years of hay production in Montana.

Mr. ROWE. Senator, may I say before this experiment was approached the actuaries would be expected to determine whether we had 10 or 15 years of experience. Before that 3 years began an actuarial basis would be developed not for 3 years but for 10, 12, or 15 years. The 3 years applies only to the practical trial of insurance, but the actuarial basis would cover more than 3 years, it would probably cover 10 years or more.

Senator GILLETTE. What could be the source of your actuarial basis of facts?

Mr. ROWE. The data that have been gathered by the crop estimate people in the Department as applies to counties, and the data that have been gathered by the county people with regard to the records of production on individual farms in these counties.

Senator GILLETTE. You would have data as to yields?

Mr. ROWE. Yes.

Senator GILLETTE. Average yields?



Mr. ROWE. Yes.

Senator GILLETTE. You would not have data as to losses.

Mr. ROWE. We would compute the losses from the record of yields.

The CHAIRMAN. Place in the record, if you will, at some place, what you construe to be tame hay. Do you mean such commodities as timothy, clover and alfalfa?

Mr. WRIGHT. Yes.

The CHAIRMAN. What else?

Mr. WRIGHT. I am not an authority on tame hay.

Senator GILLETTE. Sudan grass, alsike.

Senator WILLIS. Would it not be seeded crops?

Mr. WRIGHT. I do not know just what limitation might be placed on that. As I said a while ago, I do not know of any plan in reference to it.

Senator WHEELER. What is tame hay in one particular part of the country is something else in another part. You might call buffalo grass tame hay. It is wild hay generally.

Mr. WRIGHT. In my part of the country it is principally alfalfa.

The CHAIRMAN. I want to ask another question to try to make clear, if I can, something that bothers me. Your answer has not been satisfactory. Supposing this bill becomes a law and you insure a great number of crops, you will have to have a different rate for each crop; is that correct?

Mr. WRIGHT. That is right.

The CHAIRMAN. All right.

Now, take cotton, for illustration. Supposing that in year [blank] you insure the cotton crop, if the cotton crop is a failure, then you sustain a severe loss. The next year, would you apply the same rate, or would you increase the rate?

Mr. WRIGHT. We would put in the rates based on actual experience just as fast as we can, Senator. Now, in answer to your question: In effect, that is what we would do, except it is almost impossible to put your experience into the following year, because we have to write the insurance for a year before we know about all the losses in the previous year.

The CHAIRMAN. Let me reverse the question.

Mr. WRIGHT. Yes.

The CHAIRMAN. Supposing you make a substantial gain, you have a carry-over, your losses are not much, you have your premiums paid promptly and at the end of the year you have a substantial surplus as the result of the premium paid on cotton; the next year, would you reduce the rate on cotton and have nothing for surplus, or would you keep that as a carry-over and build up a surplus which might be a saving in the way of appropriation?

I am trying to find out whether or not this is a cooperative plan or whether it is based on commercial rates.

Will the rates be changed from year to year to take care of the condition of the fund at that particular time?

Mr. ROWE. I would say there would be some decrease, perhaps, but under this provision in the act it asks that a reserve be built up, so part of it would be in the reserve to take care of unforeseen losses in the future.

The CHAIRMAN. Does the bill provide for a reserve?

Mr. ROWE. Yes.

The CHAIRMAN. If that is true, then the theory of this bill is you shall be working toward building up reserves all the time.

Mr. ROWE. Yes, sir.

The CHAIRMAN. If that is the case, then it is not a purely cooperative plan. As I understand it, a cooperative plan would be to have the Government pay you the administrative expenses and to charge, from year to year, sufficient premiums to pay the losses. That would be a cooperative plan.

Mr. WRIGHT. Yes. Then, you would have what you would call mutual insurance.

Senator BANKHEAD. Suppose you do not accomplish that and you do not establish a premium that would take care of large losses, then how are you going to get it, if you do not build up any reserves?

Mr. WRIGHT. The indemnities would be limited to the amount of premiums collected.

The CHAIRMAN. Is that the theory of this bill now, that you would only pay out in losses the amount of premiums collected?

Mr. WRIGHT. That is right. The way the bill is written now, for the first 3 years of its operation, if there are not sufficient premiums collected to pay the indemnities, the indemnities would be scaled down by 15 percent. After the 3 years' operation the indemnities could only equal the amount of premiums collected.

The CHAIRMAN. Under the theory of this bill, is it true that the only obligation that the Congress is setting up is the obligation of the administration expenses?

Mr. WRIGHT. For the first 3 years; no, Senator. Under this bill, for the first 3 years the Congress would be underwriting up to 85 percent.

The CHAIRMAN. If the premiums were not sufficient to pay the losses you would come back to Congress and ask for an appropriation to make good the losses?

Mr. WRIGHT. There is capital stock provided by Congress, \$40,000,-000 of which has been subscribed.

The CHAIRMAN. By whom?

Mr. WRIGHT. By the Government, the Treasury.

Senator ELLENDER. You say the Government subscribed 85 percent of what?

Mr. WRIGHT. When the losses came in we determined how much they were and if the premiums were not sufficient they would pay 85 percent. The individual losses would be scaled down but not to exceed 15 percent.

Senator ELLENDER. I notice on page 2 that there is a provision that states that the insurance shall not exceed 75 percent of the recorded or appraised average yield of a commodity on an insured farm.

Mr. WRIGHT. That is right.

Senator ELLENDER. Following that provision is a proviso that states that the insurance coverage shall not exceed the cost of planting seed, cultivation, and so forth. Now, why have the two provisions? Why not limit the insurance to one or the other?

Mr. WRIGHT. Well, the basis of the insurance in the past has been on 75 percent of the yield.

Senator ELLENDER. I understand that.

Mr. WRIGHT. That is the way the program is operated. We have found that in some instances it was more advantageous to a farmer



to collect an indemnity than it was for him to raise the crop, so this provision was placed in there to limit him and not make it advantageous for him to do that.

Senator ELLENDER. No matter if you do insure 75 percent of the recorded or appraised average yield, should that be in excess of what the farmer spends for planting, and so forth?

Mr. WRIGHT. Whatever is less.

Senator ELLENDER. You do not state that in the bill, do you?

Mr. WRIGHT. Well, that is what is intended.

Senator ELLENDER. Don't you think it ought to be more specific, if we are to adopt both provisions?

In other words, you have got a kind of conflict there and it strikes me you ought to either resolve one or the other, or if you want to retain both provisions you ought to have some language to indicate which you are going to use under certain conditions.

Senator BANKHEAD. Will you state that again for my information?

Senator ELLENDER. On page 2 it states that the insurance shall not exceed 75 percent of the recorded or appraised average yield of the commodities cornered by insurance.

Senator BANKHEAD. That is in the event of damage or loss, the 75 percent.

Senator ELLENDER. Yes. Then, there is a proviso that in no event shall the payment to the farmer be in excess of what he spends for seed, planting, and so forth.

Mr. WRIGHT. We have a representative of the solicitor's office back here, Mr. Bagwell, and he can probably answer that.

Senator ELLENDER. It strikes me we ought to adopt one or the other method. I favor insurance on a basis of 75 percent of the recorded or appraised average yield.

Mr. WRIGHT. What was intended in there is whatever is less. Mr. Bagwell, will you answer that?

Mr. BAGWELL. The way it is written we would only insure three-fourths of the average yield. For example, if the average yield in the case of cotton was 400 pounds per acre, we would insure 300 pounds.

Senator BANKHEAD. That is the rule now?

Mr. BAGWELL. That is the rule now. However, under this bill when we got ready to pay off and we found the loss had been early in the season, before the expenses amounted to the value of 300 pounds, we would pay only on the out-of-pocket expenses that the farmer had incurred.

Senator ELLENDER. In no event, though, as I understand the language would you pay more than the cost of preparing the land, the labor, seed, planting, and so forth.

Mr. BAGWELL. That is right. If that were less than the three-fourths of the average yield, that is all that would be paid.

Senator BANKHEAD. The farmer does not get any protection then. He does not get any protection for the loss of his crop, the disappearance of his income.

Senator ELLENDER. All he would get back in any event would be what he put out.

Senator BANKHEAD. I do not think that is right.

Senator ELLENDER. I do not either. That is certainly a departure from the present provisions of the law.

Mr. BAGWELL. That varies considerably from what the law is now.

Senator ELLENDER. One more question along that line: Would your premiums be the same?

Let us take, for instance, the example given by Mr. Bagwell just now, it may be more costly to insure an average of 300 pounds of cotton per acre than it would be to simply insure the cost of producing it.

Mr. WRIGHT. That is right.

Senator ELLENDER. How would you determine the premium?

Mr. WRIGHT. The premium would be reduced in accordance with the coverage. This means it would reduce the coverage.

Senator WHEELER. When you write the insurance the premium would be the same?

Mr. WRIGHT. The premium, yes, but for the general coverage for the year the premium would have to be necessarily reduced.

Senator ELLENDER. When would you determine the premium? Would you not do it when the farmer signs the contract?

Mr. WRIGHT. That is right.

Senator ELLENDER. If you say the premium would be on the basis of 300 pounds per acre average and then it turns out you are going to pay him only the cost of his outlay, would not there be some confusion?

Senator BANKHEAD. It may be just enough to cover 100 pounds.

Senator ELLENDER. Right.

Mr. WRIGHT. It would have to be scaled down in premium, a percentage scaledown, I think.

Senator WHEELER. How could you scale it down? You could not scale it down for the simple reason you are charging him on a 300-pound-an-acre yield, that is when he signs the contract. You could not scale down the premium after that, because that is what he agreed to. You might scale him down the next year, but you could not scale him down this year.

Mr. ROWE. It is possible that the rates we would charge him would be somewhat less than they were in the past. Actuarial studies can be carried on to determine whether, say, a person that has been insured for a rate of 15 pounds per acre in the past should now be insured for a rate of 13 pounds. A reduction would be given on the premium to reflect the lower coverage he has.

The CHAIRMAN. In the case of crop insurance you issue a regular policy, do you not, like the commercial insurance companies issue?

Mr. WRIGHT. Yes, sir.

The CHAIRMAN. Have you a copy of one of those policies?

Mr. WRIGHT. Yes.

Senator WHEELER. If you are only going to insure him for his actual loss, whatever it might be, your premium cost would be greatly reduced?

Mr. WRIGHT. Pardon me, Senator?

Senator WHEELER. I say if you are only going to insure him for what his actual loss would be, say, for his seed, cultivation, and so forth, your premium should be considerably less than if you insure him for 300 pounds per acre.

Mr. WRIGHT. Yes.

Senator ELLENDER. Under this bill, as I read it, the most a farmer would be paid would be the outlay on his farm for the crop in-



insured and if that be true why not base the premium on that and let it go at that and not give him the hope of a 75 percent protection of his recorded or appraised yield.

Senator WHEELER. If your proviso is that is what you are going to pay him, it is the most he can get, that is what ought to be stated.

Senator ELLENDER. Exactly.

Senator WHEELER. It ought to be one or the other.

Senator ELLENDER. That is right. That is what I stated a while ago.

Senator WHEELER. It either ought to be the first or the last.

Senator ELLENDER. Correct.

Senator WHEELER. If you are going to insure him for what he is going to get back for his work and seed then tell him so at the time.

Senator ELLENDER. That is right.

Senator BANKHEAD. I think you ought to cover that very important point.

Mr. ROWE. In some cases 75 percent of the yield will be less than the investment.

Senator ELLENDER. But it is only when it is less than he makes on the full crop that he is probably going to gain a little bit, but my guess is on the whole the most he will ever get paid is his outlay. If that is true, then, as I have just stated, we ought to have one or the other and not put both in there, because it is misleading.

Senator BANKHEAD. It is insurance of income.

Senator ELLENDER. No; it is insurance against outlay, that is all it is.

Senator BANKHEAD. I look upon the desirable principle as an insurance of income.

Senator ELLENDER. Sure.

Senator BANKHEAD. So the farmer and his creditor will know at the end of the year he will get at least 75 percent of the yield.

Senator ELLENDER. That is right.

What about his cost of living? That certainly would not be covered in the insurance. He would be out that much. The only thing you would be obligated to return to him would be his actual cost of labor and his outlay in planting the crop and cultivating it, that is all.

Mr. WRIGHT. I believe those things are specified in here.

Senator ELLENDER. Here it is on line 9, page 2 [reading]:

That such insurance coverage shall not exceed the investment in the crop based on the cost, as determined by the Board, of preparing the land, of labor, seed, planting, cultivation, disease or insect control, harvesting, ginning, hauling to market, fertilizer, irrigation, use of the land, and other applicable costs as determined by the Board.

Mr. WRIGHT. That is right.

Mr. ROWE. Senator, our studies as to cost of production show that the investment in the crop is sometimes higher than the average yield itself. If we are to guarantee the cost of production in full we would frequently find ourselves guaranteeing more than he can produce on the average.

Senator ELLENDER. I am not questioning that at all, sir, but you are charging, as I said awhile ago, premiums on a basis of an average yield of 300 pounds when, as a matter of fact, the most the farmer can collect would be his outlay to plant, cultivate, and so forth, the crop insured.

Senator BANKHEAD. If you should limit it to the outlay, then what is the use of insuring the whole yield? It has not application at all.

The CHAIRMAN. I have before me a copy of an application for insurance. This application was prepared, as I understand, to conform to the existing law.

Mr. WRIGHT. That is correct.

The CHAIRMAN. If this bill should become law, then it would be necessary to prepare a new application?

Mr. WRIGHT. That is right.

The CHAIRMAN. So we cannot put into the record a copy of the new insurance policy. The new insurance policy, when it is worked out, should state the conditions under which the payment shall be made, or the liability shall be adjusted and determined fixing the amount to be paid out in the way of losses.

Mr. ROWE. That is correct.

The CHAIRMAN. These points that were discussed should, in my opinion, be set forth in the contract so that both the Government on one side and the insured on the other would know what to expect under any given losses. Is that correct?

Mr. WRIGHT. That is correct.

Senator CAPPER. May I ask a question?

The CHAIRMAN. Senator Capper.

Senator CAPPER. Am I correct in my understanding that there is no other form of insurance available to the producer if we do not enact this bill here?

Mr. WRIGHT. That is correct, Senator. Farmers have no other form of insurance available, except possibly hail insurance on some commodities. Hail insurance is available on wheat, I believe, and it is available on cotton in some areas, and I think it is available on tobacco. I do not know about other commodities. I do not believe there is any flood insurance available. I know there isn't any drought or freeze, or anything like that. There is no other all-risk crop insurance available to the farmer at all.

Senator CAPPER. The farmer has to take his chances.

Mr. WRIGHT. That is right.

Senator CAPPER. Mr. Chairman, in my part of the country the farmers are pretty generally favorable to this legislation. I think they ought to have some protection of this kind. I find no opposition to it.

Senator WHEELER. You said in your section of the country they produce largely alfalfa?

Mr. WRIGHT. Yes, sir.

Senator WHEELER. Now, when you come to insure alfalfa, how many years does it take alfalfa to run on? You do not plant alfalfa every year.

Mr. WRIGHT. No; about 5 years, 5 to 8, in my section of the country.

Senator WHEELER. When you come to insuring on alfalfa, for instance—and the same is true of other hays—it is true of practically all hays, clover, timothy, red clover, white clover, or any other kind of hay, that in a few years it runs out. Now, when you come to insuring, of course the first year he is going to get a very good crop, the second year he is not going to get as good a crop, the third year he is not going to get as good a crop, the fourth year he is not going to get as good a crop, and the fifth year he is going to get a very small crop.



Supposing the farmer, when his crop begins to run out, instead of plowing it up and planting again he still turns that in and tries to raise alfalfa, what are you going to do about it?

Mr. WRIGHT. Senator Wheeler, I do not have any plan to offer on tame hay.

Senator WHEELER. It seems to me it is almost impossible.

Mr. WRIGHT. That crop was placed in the bill over in the House and we have not had time to give any study to it. Perhaps you know the farmer does not keep a record of his production on tame hay. Maybe it is stacked out in the field, maybe it is hauled out, and there are very few fields from which all of the production is sold. I do not know of any plan. I do not say it is impossible to develop any plan, but we haven't come up with anything yet.

On this coverage of 75 percent of the average yield or the investment in the crop, gentlemen, that is up to the Congress to determine, as to how much protection they want to give to the farmers. We can only give you the benefit of our experience. This provision was placed in the bill as a further limitation on the amount of indemnity the farmers could receive.

Senator BANKHEAD. Did the Department put that in?

Mr. WRIGHT. This was the House bill, Senator Bankhead.

Senator WHEELER. I am in favor of crop insurance, but I do not want to see it get to the point where it is made ridiculous and impractical, because if it is then the whole thing will be completely broken down. I think it is better to start on a conservative basis and gradually build it up than it is to start on a plan that is going to break down and bound to break down because it is impractical.

The CHAIRMAN. Do you know of any country that has a crop insurance law in effect now?

Mr. WRIGHT. Senator Thomas, so far as we know there is no country that has an all-risk crop insurance program in effect such as we have at the present time. In fact, we have had communications from most of the countries in the world. They are very interested in this plan of insurance and have kept in communication with us, wanting to determine how it is working out. They have evidenced a lot of interest. There are some countries that have had various plans of insurance. Since about 1890 a number of the countries of Europe, smaller countries, have experimented with insurance. Most of them have been in specific coverage, either hail or some other specific causes. At the present time it appears that Russia has about the nearest program to what we have here, but there is not very much information available on it, and we do not know how it works. Canada has instituted a sort of a plan of insurance in one of its provinces, but it does not work like ours. However, their loss has been a little heavier, I believe, than ours. Hasn't it, Mr. Rowe?

Mr. ROWE. Yes.

Senator CAPPER. You believe that this plan, as outlined here, is based on a sound insurance basis?

Mr. WRIGHT. We think it is more conservative than the other bill, much more conservative than the program under which we have operated, Senator.

Senator BANKHEAD. In what respect?

Mr. WRIGHT. Pardon me?

Senator BANKHEAD. In what respect?

Mr. WRIGHT. Well, this 85-percent provision whereby losses would be scaled down not more than 15 percent for the first three years and after the first 3 years the indemnities cannot exceed the premiums.

Senator BANKHEAD. The other bill had a limitation of 75 percent, did it not, instead of 85 percent?

Mr. WRIGHT. We have always insured on 75 percent of the average yield.

Senator BANKHEAD. Yes.

Mr. WRIGHT. We have always paid 100 percent of the losses.

Senator BANKHEAD. Assuming you had a total loss, what would you pay under this bill?

Mr. WRIGHT. We would only pay 85 percent of that loss until we had determined how much premiums there are. Then if there are sufficient premiums to pay the balance we would pay all of it, or the percentage for which premiums were available.

The CHAIRMAN. You mean you would pay 85 percent of the three-fourths. You do not mean 85 percent of the 100 percent loss. The loss is based on 75 percent of the yield, is it not?

Mr. WRIGHT. The loss is based on 75 percent of the average yield or investment in the crop.

The CHAIRMAN. That is 85 percent of 75 percent?

Mr. WRIGHT. We would pay 85 percent of the loss.

Senator ELLENDER. That is 85 percent of 75 percent?

Mr. ROWE. That would be only in the case of a complete loss.

Senator WHEELER. In the case of a total, complete loss you would pay 85 percent of the 75?

Mr. ROWE. That is right; of the complete loss.

Mr. WRIGHT. When it is determined that we have more premiums to pay off with than that would possibly equal the 100 percent.

Senator ELLENDER. And if the premiums are not sufficient, then what?

Mr. WRIGHT. We would never pay any more than 85 percent.

Senator WHEELER. It seems to me that is a mistake. If you find you have got premiums in there to pay the full amount of the loss, I still think it is a mistake for the Government to pay out the full amount. You ought to take the difference between the 85 and 75 percent and put it in surplus for future years, because I think most farmers would be tickled to death, if they had a loss and if they are insured and get 85 percent of the 75 percent for which they are insured.

Senator BANKHEAD. That is what you are doing now, paying 85 percent of the 75 percent?

Mr. WRIGHT. Under the past program we pay the full amount.

Senator BANKHEAD. You are changing it now?

Mr. WRIGHT. Yes. That makes this program more conservative than the other.

Senator BANKHEAD. Yes.

Mr. WRIGHT. The other thing that does it is this investment in the crop.

Senator BANKHEAD. What is 85 percent of 75 percent? I can figure it out, of course, but I haven't got the time.

Mr. WRIGHT. A little over 63 percent.



Senator BANKHEAD. The total loss would be limited to 63 percent?

Mr. WRIGHT. Yes.

Senator WHEELER. If you had a total loss you would be insured for 75 percent of the total loss?

Mr. WRIGHT. Seventy-five percent of his average yield.

Senator WHEELER. I believe you said if you had premiums enough to make it up, you would pay him 100 percent.

Mr. WRIGHT. If the premiums were sufficient to pay the full 100 percent, we would pay the full 100 percent.

Mr. ROWE. You insure him for 75 percent of his average yield. Let us say his average yield was 16 bushels, and he would be guaranteed for 12 bushels, in the past we would have only paid him for 12 bushels. Under this new plan we would pay him for 12 bushels less 15 percent.

Mr. WRIGHT. 100 percent on the 75.

Senator ELLENDER. In respect to the proviso, that I called to the attention of the committee a while ago, as you know a lot of farmers are more thrifty than others, they are better workers and some can produce a crop much cheaper than others. How would you adjust the difference in paying losses?

Mr. WRIGHT. The plan we had in mind for determining the amount of investment in the crop was about like this: We would send out to the counties, the county people out there, the county committees, and let them determine the proper cost of each operation.

Senator ELLENDER. For each operation?

Mr. WRIGHT. Yes. The farmer would be advised of the amount he would be indemnified for if he had the loss.

Senator ELLENDER. You mean in advance of planting?

Mr. WRIGHT. Yes, sir.

Senator ELLENDER. As I have stated, in the event of some farmers it would cost a little more, and in the event of others they would suffer the loss.

Mr. WRIGHT. Let me continue just a minute, please, sir.

At the time of the loss the producer would itemize the operation he carried out on the farm; then this rate would be set up and it would be rather simple to determine the amount of investment that he had in the crop, taking the rate that had been established for the various operations that he had carried out on the crop.

Senator ELLENDER. Should his cost be more than he previously gave you he would be out of pocket for the difference.

Mr. ROWE. That is, if his costs were more than 75 percent of the average yield.

Mr. WRIGHT. That is right.

Senator ELLENDER. That is not the point I am trying to make. I know in my section, and I suppose in Senator Bankhead's section and Senator Wheeler's section, you can pick out 15 farmers and you may find 7 of them where the cost to make an acre of crop will be so much and in the case of another farmer it may be 25 percent more and in the case of another farmer 30 percent more.

Senator WILLIS. Why is that, Senator? Because of lack of efficiency on his part?

Senator ELLENDER. Probably so; or because they haven't the proper tools, they have to do more hand work.

Senator WILLIS. You cannot insure against that.

Senator ELLENDER. How would you reach an average under this provision?

Senator BANKHEAD. That complicates it very much. You have got to consider first the yield as a basis. That is where your 75 percent comes in. Now, on top of that, if you have a loss you have got to go into the cost on each farm.

Senator ELLENDER. Sure.

Senator BANKHEAD. So you are adding that to the previous bill. It was not a part of it. It seems to me the administration of it would be much more expensive and more difficult.

Mr. WRIGHT. It is more complicated, Senator.

Senator BANKHEAD. Of course, it is more complicated.

Mr. WRIGHT. Yes; it is.

Senator ELLENDER. My guess is if this bill passes the Congress as presently written you would have very little insurance taken out.

Senator WHEELER. What is that?

Senator ELLENDER. You would have very little insurance taken out. In other words, I doubt if the farmers would desire it. As I indicated awhile ago, all they could possibly get under this bill would be their actual outlay on the crop insured.

Senator BANKHEAD. 63 percent.

Senator ELLENDER. No, no; just that cost. They are limited in an event of losses to the cost that they put to prepare the land and cultivate it.

Senator BANKHEAD. They could, under some conditions, get the 63 percent, they could get 85 percent of 75 percent.

Senator ELLENDER. Unless the 63 percent were less than their cost; yes; that is probably so, according to the testimony given, but there is nothing in the bill to indicate that.

Senator BANKHEAD. That would be the maximum result, if you have an 85 percent of 75 percent limitation.

Senator ELLENDER. The amount to be paid to a farmer would be 85 percent of 75 percent provided that amount would be less than what he is out. Am I right about that?

Mr. ROWE. Yes; that is correct. It is our belief, from the figures we have seen, that this provision limiting the coverage to the investment will take hold in most cases, or in the majority of cases where the crop is abandoned. For instance, the farmer plants winter wheat and carries it only through the spring, it kills during the winter, then he plants corn, and in that case we believe the investment must take hold, but where the crop is harvested, it is our opinion that in most cases the insured will get three-fourths of his average yield.

Senator WHEELER. How can he, under this provision?

Mr. ROWE. The chances are that his investment will be higher than three-fourths of his average yield.

Senator WHEELER. His investment will be higher than three-fourths of his average yield?

Mr. ROWE. Yes, sir.

Senator WHEELER. I would doubt that very much in the case of wheat.

Mr. WRIGHT. The figures, Senator, that we have here bear that out in most instances.



Mr. ROWE. In your State, Senator, in Montana, on an average basis it appears that the cost of production will run 94 percent rather than 75 percent.

Senator WHEELER. On the average yield the cost of production will be 94 percent?

Mr. ROWE. Of his average yield.

Senator WHEELER. I do not know who gave you the figures, but I doubt it.

Senator BANKHEAD. How did you get those figures?

Senator WHEELER. I doubt it very much.

Mr. ROWE. These are based on long-time studies that the Bureau of Agricultural Economics has made. This last year we had some tests made on quite a few crops in the counties where the farmers sat down and put down their estimates on how much it would cost to plow and how much it would cost to harvest, and they came pretty close to these figures. This is about the only information we have, a large part of it is based on the Bureau of Agricultural Economics figures, which are based on agricultural experiment station records in many States.

Senator WHEELER. You say it will cost them about 94 percent of what they receive for their wheat?

Senator BANKHEAD. Over what period of time? How long do you average the receipts?

Mr. ROWE. This was based on the price of wheat in 1943.

The cost in Montana, as we have it, is \$12.80 an acre.

Senator WHEELER. \$12.80 an acre?

Mr. ROWE. Yes; at 1943 prices, which was \$1.24. That represented 94 percent of the average yield.

The CHAIRMAN. Under existing law, what crops have you insured in the past?

Mr. WRIGHT. Cotton and wheat.

Senator BANKHEAD. Let me ask you right there, before you leave it, how does the percentage of cotton compare with the percentage of wheat?

Mr. ROWE. I would say it is a shade less than wheat. I think perhaps the reason for it is we have compared our cost of producing the average crop against the value of the lint cotton, leaving out the seed entirely. In your State, Senator we have a cost per acre of cotton of \$36.75 at 20 cents a pound, representing 82 percent of the average yield.

Senator BANKHEAD. What have you got down there for cotton picking?

Mr. ROWE. I do not have the break-down.

Senator BANKHEAD. It costs about \$36 to \$40 to pick it, so I have to challenge your figures. You have got \$36 as the total cost.

Mr. ROWE. We have included in the \$36 not the cost of picking the full crop but the cost of picking half a crop.

The CHAIRMAN. Mr. Wright, this bill names specifically some 16 commodities and then gives the Board the right to add others. If this bill shall become a law, is it your idea to try and work out a formula, a program for each of the commodities immediately or take up a few of them and make this experimentation?

Mr. WRIGHT. We are doing it very slowly, Senator. I think we can work out a program for tobacco in the next year.

The CHAIRMAN. In addition to corn?

Mr. WRIGHT. In addition to corn.

The CHAIRMAN. Corn, wheat, cotton, and tobacco, then, for this year?

Mr. WRIGHT. There is some question as to whether we could get into insurance on cotton in 1945, because of the limitation of time. Now, the earliest time for planting cotton is February 15, and if we are going to make insurance available to all cotton producers, it would be very difficult to get a program in the field by that time.

Winter wheat is already in the ground. It is too late to insure the 1945 winter wheat crop. However, it would take all of the time from now on to get ready to offer insurance by the first of July for wheat that is seeded for 1946.

Now, flax in this bill is placed along with cotton and wheat. I think we could get ready for flax in 1945.

The CHAIRMAN. That is a very small crop compared to wheat and cotton.

Mr. WRIGHT. Yes, sir. We could insure spring wheat. However, with this 3-year limitation, I doubt the advisability of insuring spring wheat since it would only leave 2 years to insure winter wheat.

Senator WHEELER. Don't you think it would be better to take out of the bill these other things that are in here now, because of the fact that there has been so much opposition?

It seems to me the thing we ought to be sure of is that you are going to make a success of what you started rather than to add a lot of new crops and make a failure of it.

Senator BANKHEAD. It seems to me the adding of those things removed a lot of opposition in the House.

Senator WHEELER. That is true, but I haven't any doubt that a lot of people want to write everything into the bill.

Senator ELLENDER. I was going to ask Mr. Wright why they left out the sugarcane. You add the sugarbeets but you leave out the sugarcane.

Mr. WRIGHT. Those crops were put in the House.

Senator ELLENDER. Would you have any objection to putting sugarcane in?

Mr. WRIGHT. We had nothing to do with putting the crops in.

Senator ELLENDER. Mr. Chairman, I did not have much opportunity to study the bill, and I am really disappointed in its provisions. Both of our great political parties promised in the last campaign to back crop insurance for the farmer, but I would not be a part of it, I would not back a make-believe insurance bill.

Senator WILLIS. If you have here "any other agricultural commodity," that would cover it.

Mr. WRIGHT. They are all covered, regardless of whether any other commodities are named. It does appear to me, Senator, if it is the desire of Congress to work out a program of insurance for farmers it might be desirable to experiment, to put in a crop-insurance program on some of the crops rather than launch a national program on which you have no knowledge or experience.

The CHAIRMAN. Answering Senator Willis' suggestion that this covers everything, Senator, I think that is not the case. I think the law of interpretation is when you begin to enumerate it just covers the things you enumerate, and when you stop enumerating you stop



covering. They cannot put in things that they do not enumerate. That is my opinion.

Senator WHEELER. They added to this "any other agricultural commodity."

Senator ELLENDER. Mr. Wright, would you mind telling us who drafted this bill and what part you played in it?

Mr. WRIGHT. No; not all. The House Agricultural Committee began work on this along last December, a year ago now. It was drafted in line with their suggestions. We wrote it up in line with the suggestions that they made.

Senator ELLENDER. What do you personally believe about it?

Mr. WRIGHT. Well, personally, I like the old program the way it was better than I do this, but the objections that were made to the program in the Congress were that it was costing too much money. I think under the old legislation we could have worked out a program that would have come very nearly panning out in spite of the history of losses that we had.

Senator ELLENDER. Do you think we would have a better bill by eliminating this proviso beginning on line 9 and on down on page 2 of the bill?

Mr. WRIGHT. About what?

Senator ELLENDER. Eliminate the proviso about limiting the payment to what the farmer is out.

Mr. WRIGHT. Yes; I think it is a much better proposition, from the standpoint of the farmers.

Senator WHEELER. As I understand it, it does not make any difference. From their interpretation of it, I do not see that it makes any difference. If the farmer has a total loss, it is hard for me to follow the logic of it, but if I understand it, in Montana, for instance, a wheat farmer, if it cost 94 percent to produce his crop and under his insurance he is going to get 85 percent of the 75 percent, he is not going to get the cost of his labor and time, and so forth, anyway.

Mr. WRIGHT. That is largely true on wheat, Senator.

On cotton, there is a difference, on a continuously tilled crop such as cotton. In wheat you are out all of the costs after the seeding of the crop, that is, the cost accumulates up to the time you have finished seeding the crop. On cotton, you have a gradual additional expense of operation. There is quite a difference in cotton in that respect.

Senator BANKHEAD. Does it not depend on when the loss occurs?

Mr. WRIGHT. Yes. The amount of indemnity would depend altogether on the time the loss incurred in cotton.

Senator WHEELER. In cotton you said you would pay 85 percent?

Mr. WRIGHT. That would carry it through until harvest, Senator. In cotton, you plant it and continuously till it, you chop it, you cultivate it, it is a constant cultivation, and your expenses on the crop increase as time goes on.

The CHAIRMAN. You might have half the cotton picked and something might come along and destroy the balance.

Mr. WRIGHT. That is right.

The CHAIRMAN. I would like to ask the solicitor's office this question: What is your interpretation of this provision which says "and any other crop"?

Senator BANKHEAD. That is exactly what I wanted to ask.

The CHAIRMAN. Using the terms of the bill where it provides for insuring the sugar beets and not the sugarcane, would that basic clause enable the Board, if it saw fit, to interpret the bill to mean that you could insure sugarcane?

Mr. BAGWELL. We so interpret it. We view the additional crops that were added the other day by the House as having been already in the bill without the need of any additional language.

Senator BANKHEAD. What is the use of having the specific crop named?

Mr. BAGWELL. They were all in there as the bill was drafted, before it went to the House, or was considered by the House.

Senator BANKHEAD. Supposing we struck out all those specific commodities that are now added; under the general clause "or any other agricultural commodity," would not that be all-embracing?

Mr. BAGWELL. I think it would be.

Senator BANKHEAD. It would take in the whole thing?

Mr. BAGWELL. That is right.

Senator BANKHEAD. It would make it legally effective if we struck out the sugar beets and the rest of the commodities?

Mr. BAGWELL. That is correct.

The CHAIRMAN. I would say to the contrary, but I do not want to stick to my argument.

Senator BANKHEAD. The difference is this: If you struck them out the principle you mentioned would not have application, because you are not listing anything, it would be all-inclusive.

Senator WHEELER. I agree entirely with the solicitor as a matter of law. You will find this language is broad enough to cover anything they want to do, any crop they want to do.

The CHAIRMAN. Supposing the Board would say, "Well, now, sugarcane is not in this bill and if Congress had intended to put sugarcane in here along with sugar beets it would have put it in, so we do not believe we have the authority to insure sugarcane"?

Senator BANKHEAD. The explanation is "all other agricultural commodities" includes that. Your report to the Congress and statements on the floor of the Senate may show they have stricken it out because somebody might want insurance on some additional crop.

The CHAIRMAN. The reason I suggest that is so the record will be complete, so we will understand what we are enacting into the law.

Senator WILLIS. I would like to ask a question. I think it was passed on before.

The CHAIRMAN. Senator Willis.

Senator WILLIS. Is there any provision here or is there any prospect of this being made self-supporting?

Senator BANKHEAD. For making what, Senator Willis?

Senator WILLIS. Making the whole program self-supporting, to include administrative expenses in the premium.

Mr. WRIGHT. There has not been any effort made to include the administrative expenses in premium rates at all.

Senator WILLIS. You have not predicted what that would cost?

Mr. WRIGHT. No, sir.

Senator WILLIS. So we are subsidizing a program of crop insurance.



Mr. WRIGHT. Subsidizing it to the extent of administrative expenses, that is correct.

Senator WHEELER. How many employees do you have on the pay roll?

Mr. WRIGHT. We have about 73, I believe, at the present time.

Senator WHEELER. Seventy-three?

Mr. WRIGHT. Yes, sir. At the time we were asked to liquidate we had a little in excess of 450.

Senator WHEELER. That is writing insurance, soliciting insurance?

Mr. WRIGHT. That was people in Washington and people in our branch offices who were processing claims and making payments on indemnities.

Senator WHEELER. You have to have people in the field, don't you?

Mr. WRIGHT. We haven't had a field force. We have depended on the Agricultural Adjustment Administration, to sell the program and to adjust losses in the past.

Senator ELLENDER. What did that program cost, the 73 employees? Was it \$6,000,000?

Mr. WRIGHT. No; we were given \$350,000.

Senator BANKHEAD. That was in the liquidation purely.

Senator WHEELER. How many employees did you have then?

Mr. WRIGHT. We had 450 to 500, Senator, and then we paid to A. A. A. \$4,884,000 for their part in the administration.

Senator WHEELER. You paid the A. A. A. \$4,000,000 for their part?

Mr. WRIGHT. Yes, sir.

Senator WHEELER. Does not Congress appropriate money for the A. A. A. itself?

Mr. WRIGHT. That is correct, but not for handling the crop insurance.

Senator WHEELER. I know, but Congress appropriates money for the A. A. A. They come in here asking for an appropriation for the A. A. A., don't they, and then in addition to the appropriation you get from the Congress for the A. A. A. you paid them \$4,000,000?

Mr. WRIGHT. They worked on crop insurance in addition to the work they did for the A. A. A.

Senator BANKHEAD. Do they get per diem pay for the work they do on crop insurance?

Mr. WRIGHT. The way that has been handled, we have gone out into the offices and estimated the best we could the amount of time that those people put on crop insurance.

Senator BANKHEAD. What I am trying to get at is have the employees of A. A. A. drawn more money by virtue of the work they did on crop insurance?

Mr. WRIGHT. Well, Senator, it has required more time. They are paid only for the time they put in on crop insurance. Certainly they have drawn more than they would have, but they had to put the time on crop insurance.

Senator BANKHEAD. Then, you paid them a per diem for work on crop insurance?

Mr. WRIGHT. That is right. If we had been doing it ourselves we would have had to be out that much money, or maybe more.

Senator WHEELER. How do the employees of A. A. A. get paid? Do they get paid a yearly salary for their work?

Mr. WRIGHT. Yes; but it takes more employees to do this additional work for crop insurance.

Senator BANKHEAD. Do you pay them out of the appropriation for crop insurance \$4,000,000 for the additional time that the employees put in?

Mr. WRIGHT. That was to avoid setting up another agency.

Senator BANKHEAD. I think it is a good plan.

Senator WHEELER. It is all right, excepting I would like to know how you take money out of one bureau and turn it over to another bureau without coming back to the Congress and showing just exactly what the figures are for the appropriation.

Mr. WRIGHT. That is explained always to the Appropriations Committee, Senator.

Senator ELLENDER. I think there is a law that provides that an employee cannot get paid from two departments or cannot be on the pay roll of two departments.

Mr. WRIGHT. They are not on the pay roll of two agencies.

Mr. BAGWELL. There is a provision in the crop insurance law that authorizes the Secretary to allot to other bureaus and offices of the Department for the purpose of having them assist in carrying out the program.

Senator ELLENDER. And to use funds for that purpose.

Mr. BAGWELL. That is right.

Senator WHEELER. Do you turn any money over to the States?

Mr. WRIGHT. Do we turn money over to the State?

Senator WHEELER. To State organizations or State bureaus.

Mr. WRIGHT. No.

Senator WILLIS. Is there any accounting given by the A. A. A. as to how they spent the \$4,000,000? Is that broken down or do you make an estimate?

Mr. WRIGHT. We make an estimate of it and turn it over to them in lump sum.

The CHAIRMAN. Mr. Attorney, will you come up, please?

I want to ask you now about some language on page 6, as follows, after naming certain commodities that can be insured or may be insured, "or any one or more of such commodities, as the context may indicate."

Now, here is my question: This bill does not specify sugarcane, and also it does not specify broomcorn. I would like to have you prepare an opinion and submit it to the committee to go into these hearings as to whether or not that language would permit the Board, if it saw fit, to provide a program of insurance for sugarcane and broomcorn, and anything else that they may see proper to provide.

Mr. BAGWELL. We will be very glad to do that, Senator.

The CHAIRMAN. I know it is the decision of the court when Congress commences to specify and stops, then the law stops.

I want to know whether that is a correct interpretation, because if this comes into a court action some of the courts will say, "Well, what did Congress mean?" Now, if we can have an opinion from your Department upon which we could base our actions, then, of course, we would get in something that might govern the courts afterward.

Mr. BAGWELL. It does in our opinion authorize the Board to include other crops than those mentioned.



Senator BANKHEAD. The Senator's point goes beyond that. His point is, under decisions, which, of course, have been made, the itemizing of certain commodities is exclusive of all commodities not itemized.

The CHAIRMAN. I wish you would look up the law and submit to us an opinion that we could place in the record, on which we could base our judgment.

Are there any further questions?

Senator ELLENDER. Is there anything in the bill that provides that the Board shall obtain actuarial data for putting in force insurance on agricultural commodities mentioned and others that may be added by the Board?

Mr. ROWE. It provides that such insurance would not be in force unless the Board determines that there is sufficient actuarial data.

Senator ELLENDER. Where will you get that? If you do not get it, who will?

Mr. ROWE. The original act provides authority for studies.

Senator ELLENDER. Who will make those?

Mr. ROWE. The Corporation.

Senator ELLENDER. The Board?

Mr. ROWE. Yes.

Senator ELLENDER. Is there anything that makes it mandatory?

Mr. WRIGHT. No, sir.

Mr. ROWE. No; it is permissive.

Senator ELLENDER. Just permissive?

Mr. ROWE. That is all.

Senator WHEELER. It says, "as it may determine."

Senator ELLENDER. Don't you think it ought to be mandatory?

Senator WHEELER. If you make it mandatory, then they have got to go out and take every single agricultural crop in this country under this bill.

Senator ELLENDER. My guess is mighty few would be covered by insurance.

Senator WHEELER. I don't know about that, but if you put it in to make it mandatory, then the Board is forced to go out and take every agricultural product in this country and make findings and report to the Congress.

Senator ELLENDER. Why not make it so that each year the Board shall make studies on at least two or three of the commodities, and so on, instead of making it on all in 1 year, as the bill now provides.

Senator WHEELER. Don't you think, with all the objections that there have been to this legislation, and the fight that has been made to preserve it—don't you think it is much better to make it conservative and not go out to do too much, until they make a success with the crops that they have already got? If they cannot make a success of those, then the Congress of the United States is going to throw it out just as sure as it can be.

Senator ELLENDER. I would not insist on all the suggestions.

Senator BANKHEAD. I think we have got to be careful about putting insurance in on various crops. You have got to be careful about the financial results of their operations.

The CHAIRMAN. Mr. Wright, you suggested the other day in private conversation that you thought the limitation placed by the House should come out of the bill. Please indicate in the bill the

language that is to come out, and if you have any language to suggest, please put it in at this time.

Mr. WRIGHT. That is on page 4.

Senator ELLENDER. Could I get your question, Senator?

The CHAIRMAN. The House placed a provision in this bill limiting the administrative expenses to 25 percent of the previous year's premiums. Mr. Wright indicated to me in a private conversation that in his opinion that should come out. I would like him to discuss that particular point.

Mr. WRIGHT. On page 4, lines 12, 13, 14, 15, 16, and 17 [reading]:

*Provided, That after the crop year of 1945, not more than a sum equivalent to 25 per centum of the premiums collected in the preceding year (beginning calculation of premiums collected in the crop year of 1945) should be used for administrative expenses in any current operating year.*

Now, the difficulty that places on the operation of the Corporation is this: Corporations are made having fiscal years which do not correspond with crop years. Take for instance 1945, and we insured flax, tobacco, and corn in the experimental crops and say we insured spring wheat, by the time the appropriation was made for 1946 we would have no idea what our premiums were. We have operated on the basis of the commodity and the price of the commodity determines how much our premiums are. In other words, on the basis of the past years here when our premiums were on 8,035,000 bushels, it made a lot of difference that wheat was worth probably \$1.50. If it had been worth \$0.50, as it was in previous years, it makes so much difference that it is difficult to determine. You just cannot tell how much money we would have. It would be another year at least before we would know how many of the premiums had been collected. We would be perfectly happy to have any limitation that the Congress sees fit, but under this provision I think it would be physically impossible to operate.

Senator ELLENDER. Why not add 2 years to it, the crop years of 1946 and 1947? Would not that have a tendency to cure the defect about which you complain? In other words strike out the year 1945 and substitute 1947.

Senator CAPPER. What is your recommendation as to that limitation?

Mr. WRIGHT. We do not have a recommendation. We have been trying to figure out some limitation that would permit us to operate. Inasmuch as expenses on a crop insurance program are intangible, you do not know how many service operations you are going to have. You may not have any losses at all, or your losses may be heavy. Certainly, we are obligated to follow a service policy when it is placed into effect. If there is no loss on that policy, then there is very little expense on it, but if there is a loss we must go out to determine how much acreage a producer put in, and we must determine how much production there was from that acreage.

Senator WHEELER. That is all done by the A. A. A.

Mr. WRIGHT. That has been done that way, that is true.

Senator BANKHEAD. As I understand the effect of what you said, your recommendation is that that language be eliminated.

Mr. WRIGHT. Well, it would have to be eliminated if we are to operate, Senator Bankhead.

Senator BANKHEAD. Assuming, of course, you want to operate.



Mr. WRIGHT. Yes.

Senator BANKHEAD. I say the effect of your view is it must be eliminated.

Mr. WRIGHT. That is right. If we can work out some limitation that would provide something satisfactory to the Congress, we would be happy to do it.

The CHAIRMAN. What is the benefit of the limitation?

Senator WHEELER. What the complaint has been is that the administrative expenses have been too high. That is the complaint that has been made here, that you have been too extravagant, the administrative expenses were too high and they sought to put some limitation on it, due to the fact they thought you had been wasteful and extravagant.

The CHAIRMAN. If the appropriation is so low that it would prevent a satisfactory administration, then it defeats the purposes of the bill.

Mr. WRIGHT. That is true. I am sure the gentleman who put the provision in did not intend to do that at all. However, as it is written now, it would prevent the Corporation from operating, because we could not begin until we knew how great an amount in premiums we could collect. You could not operate that way.

The CHAIRMAN. Do you plan to continue the use of the personnel of the A. A. A.?

Mr. WRIGHT. We had so planned from a selling standpoint, Senator. We believe it is desirable in adjusting the losses that we have our own adjusters.

The CHAIRMAN. That will increase the expenses; will it not?

Mr. WRIGHT. Not the total expense of this thing.

The CHAIRMAN. That is true, because you have already made an allocation to the A. A. A. program.

Senator BANKHEAD. That is right. I recall in some previous hearing, when Mr. Smith was Administrator, we had some testimony before us about a material change in the length of the contracts of insurance, that he believed then would save a good deal of money.

Mr. WRIGHT. That is correct.

Senator BANKHEAD. Let us have that.

Mr. WRIGHT. On wheat in particular, it is possible to determine from the amount of moisture in the ground and general conditions pretty well at seeding time whether you have a fair chance of making a crop. In order to give the Federal Government an equal opportunity with the producer we had a provision for a 3-year contract. That was in operation for the first year when we were asked to liquidate. We did not have an opportunity to observe its effect. Under the provision in this bill, we could only write one 3-year contract. We had anticipated under that that we would have saved about a million and a half bushels a year, or a total saving of, I believe, 7½ million bushels, over the period of time we operated.

Senator BANKHEAD. Under the old system of 1 year, it is my recollection that the farmer could anticipate pretty well.

Mr. WRIGHT. That is correct.

Senator BANKHEAD. How is that going to work out? If weather conditions were satisfactory he would not take any insurance.

Mr. WRIGHT. That is correct.

Senator BANKHEAD. So you have just got the bad cases in large measure.

Mr. WRIGHT. That is correct.

We have seen it in operation in the Great Plains area. We have had a period of years when the production was very small, in 1939 and 1940, and we had a large participation in there, and then the moisture conditions became better and the farmer knew at seeding time he had a pretty good chance for a crop.

Senator BANKHEAD. He is taking a chance in taking a 3-year contract.

Mr. WRIGHT. Yes, sir. There is quite an expense in selling there, too.

Senator WHEELER. I agree with what you said. That applies not only to crop insurance but to irrigation. The farmer wants to buy water when he hasn't water, but when there is plenty of water he does not want to pay for water. That is human nature. But here you have a farmer that, let us say, has a thousand acres of wheat, or 500 acres of wheat, or whatever it is; if he insures that 500 acres of wheat for 3 years he may not want to put in 500 acres of wheat for the 3 years, he may only want to put in 500 this year and 200 the next year, and so on.

Mr. WRIGHT. That is correct.

Senator WHEELER. Under those conditions, I am wondering whether or not the farmer is going to say, "Well, I will not take a 3-year insurance policy for 500 acres of wheat."

Mr. WRIGHT. It would have to be limited to the acreage he actually seeded, Senator Wheeler.

Senator WHEELER. It would have to be limited to the acreage he actually seeded each year.

Mr. WRIGHT. That is correct. You could not hold him to his original acreage.

Senator WHEELER. They sometimes plant wheat this year, they plant flax next year, and then they plant oats the following year.

Mr. WRIGHT. That is correct.

Senator WHEELER. With their strip farming they might not plant as much.

Mr. WRIGHT. That is right.

The CHAIRMAN. The committee will be in recess until 10 o'clock tomorrow, at which time we will take up the amendments and finish the hearings on the bill, if possible.

(Whereupon, at 11:55 a. m., the committee recessed until 10 a. m., of the following day, Tuesday, November 28, 1944.)





# TO AMEND THE FEDERAL CROP INSURANCE ACT

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TUESDAY, NOVEMBER 28, 1944

UNITED STATES SENATE,  
COMMITTEE ON AGRICULTURE AND FORESTRY,  
*Washington, D. C.*

The committee met, pursuant to adjournment, at 10 a. m., in room 324, Senate Office Building, Senator Elmer Thomas (chairman) presiding.

Present: Senators Thomas (chairman), Bankhead, Bilbo, Ellender, Russell, Caraway, Capper, Shipstead, and Bushfield.

The CHAIRMAN. The committee will be in order.

On yesterday we had Mr. Wright on the stand. He did not complete his testimony, so we will resume where we left off on the former occasion.

You may proceed, Mr. Wright.

Mr. WRIGHT. Mr. Chairman, we have prepared some amendments in line with our thinking on this bill, H. R. 4911. The first one has to do with flax. There has arisen a serious situation relative to flax. It was called to our attention only a few days ago. Mr. Hutson is more familiar than I with the circumstances surrounding flax and problems of production and, if it is agreeable with the chairman, I would like for Mr. Hutson to discuss that.

The CHAIRMAN. All right, Mr. Hutson.

**STATEMENT OF J. B. HUTSON, PRESIDENT, COMMODITY CREDIT CORPORATION; DIRECTOR, OFFICE OF PRODUCTION, WAR FOOD ADMINISTRATION (ACCOMPANIED BY N. D. DODD, CHIEF OF AGRICULTURAL ADJUSTMENT AGENCY AND ROBERT H. SHIELDS, SOLICITOR, DEPARTMENT OF AGRICULTURE)**

The CHAIRMAN. Mr. Hutson, will you give your full name and your present official connection with the Department to the reporter?

Mr. HUTSON. J. B. Hutson, president, Commodity Credit Corporation, and director of Office of Production, War Food Administration.

The CHAIRMAN. You may proceed, Mr. Hutson.

Mr. HUTSON. I think before I start in with this, I see Mr. Dodd has come in. He will cover some points that he is more familiar with than I.

The CHAIRMAN. Mr. Dodd, will you give your name to the reporter so he will have the record complete?

Mr. DODD. N. D. Dodd, Chief of Agricultural Adjustment Agency.

The CHAIRMAN. You may proceed, Mr. Hutson.



Mr. HUTSON. Since the beginning of the war we have had difficulty in getting the requirements of oilseed crops. Flaxseed in particular has needed to be expanded.

The CHAIRMAN. At this point you may put a statement in the record as to the benefits of flax, the things that are made out of flax.

Mr. HUTSON. The principal use, Senator, of flaxseed is in paints and varnishes. Mr. Gordon, who will later testify, is more qualified to speak on this than I am.

The CHAIRMAN. In other words, the main value of flaxseed is the oil that is derived from it, which is called linseed oil, and linseed oil is necessary in making paint; is that correct?

Mr. HUTSON. That is correct.

Mr. DODD. There has been a good deal of it used for food also.

The CHAIRMAN. It is now thought there will be a vast demand for paints when the war is over, for the reason that people have not used much paint during the war, first because the paint is hard to get, and second, even if there was paint there would be nobody to use it due to the scarcity of painters, and therefore it is thought there should be an expanded production of flax to make oil and to make paint, is that correct?

Mr. HUTSON. That is correct. We think the availability of linseed oil is directly related to employment, that is, full employment in the reconversion. Painting needs to be done when there is labor available and there is building to be done.

Senator BANKHEAD. Is flaxseed essential in a painting program? Is there nothing else that can be used in its place?

Mr. HUTSON. There are substitutes in part, but not for the major uses.

Senator ELLENDER. How about tungoil?

Mr. HUTSON. That is one.

Senator ELLENDER. We are having difficulty in getting the necessary machinery to develop that. Cannot you help us on that?

Mr. HUTSON. We will look into it and see what we can do.

The production of flaxseed in this country prior to the war was ranging around from 1,500,000 to 2,000,000 acres. We had a price of \$1.80 a bushel in 1941. We gradually stepped this price up, and in 1942 the price was \$2.40 a bushel. That is the support price. In 1943 it was \$2.70, in 1944 it is \$2.95, and for 1945 we have tentatively proposed a price of \$3 a bushel.

Senator BUSHFIELD. May I ask a question?

The CHAIRMAN. Proceed, Senator Bushfield.

Senator BUSHFIELD. What is the acreage in flax in 1944?

Mr. HUTSON. The acreage in flax for the same years was as follows: In 1940 we produced 3,364,000 acres; in 1941, 3,470,000 acres; in 1942, 4,700,000 acres; in 1943, 6,300,000 acres; and in 1944, 3,300,000 acres.

Senator BANKHEAD. That is, it dropped about 50 percent?

Mr. HUTSON. That is right.

The CHAIRMAN. How do you account for that?

Mr. HUTSON. Well, in 1943, the year that we got the big expansion, we announced early an incentive-payment program, as you people know, and we were able to carry that out in part for some commodities, and in this particular commodity we moved up the price somewhat,

but we were not able to carry through the incentive payment, and therefore there may have been a little disappointment. As we explained in the early season, we corrected that as best we could.

Senator BANKHEAD. What was your trouble? Did you need money?

Mr. HUTSON. Yes.

Senator BANKHEAD. Did you ask Congress for it?

Mr. HUTSON. Yes. There was a broad incentive program announced.

Senator BANKHEAD. Did you have money to pay the incentive payments?

Mr. HUTSON. Not at the time it was announced. In some of the bills there was a prohibition against incentive payments. We could carry out the payments only with the money that had been appropriated under a previous appropriation bill.

Senator BANKHEAD. How much did you offer the farmers that they did not get?

Mr. DODD. \$12.50 an acre.

Senator BANKHEAD. That was your offer to them?

Mr. DODD. Yes; for the acreage in excess of what they had been raising.

Senator BANKHEAD. Did you pay any of them \$12.50?

Mr. DODD. No.

Senator BANKHEAD. Did you ask Congress for the money?

Mr. DODD. Yes.

Senator BANKHEAD. After they planted it?

Mr. DODD. Refusal was given just about planting time.

Senator BANKHEAD. They did not plant?

Mr. DODD. They did plant.

Senator BANKHEAD. They planted but still did not get the incentive payment?

Mr. DODD. That is right.

Senator BANKHEAD. Was that submitted to Congress?

Mr. DODD. Yes; that was submitted to Congress. There was a good deal of argument about it.

Senator BANKHEAD. It seems to me a complete moral obligation was created.

Mr. DODD. The farmer was actually told that the Congress had said "no" to the money, but they knew we were making some increases in price; and at that time we had wheat acreage allotments which left some land available for other uses.

Senator BANKHEAD. Do you think that confusion about the appropriation caused a 50 percent reduction in flax acreage?

Mr. DODD. No; I do not think that alone caused it. We could not have gotten that acreage in the first place if they had not thought they would get a very substantial increase in price. Flax is one of the most risky crops there is in the West. Wheat and other grains are much safer crops and the return is higher in relation to the total income from an acre of land, so the farmers simply raise other grains and lay off the flax. Mr. Hutson can go into it more fully. He has figures on it there.

Mr. HUTSON. Now we want to increase this acreage of 1944 to 5,000,000 acres in 1945. There are several ways to go about getting the farmers to produce more.



Senator BUSHFIELD. Why do you want to increase it?

Mr. HUTSON. Because we need the oil for paint and other industrial uses. If you want to go into that now, Mr. Gordon has come around. He is better qualified to speak about that than I am, about the particular uses of flax.

Senator BUSHFIELD. You are talking about post-war activity?

Mr. HUTSON. That is right. The flax that is planted next year will be available for use in late 1945 and 1946.

Senator BUSHFIELD. I understand. I have raised flax all my life.

Mr. HUTSON. We think we will need more flax than the acreage of 1944 in the year 1945 and perhaps in 1946, and we have consequently asked for 5,000,000 acres. One way to get that increase, of course, is to up the price. Another way would be to provide for some incentive. Another way is to provide free insurance. It is an extremely hazardous crop.

The CHAIRMAN. What are the hazards?

Mr. DODD. Freeze, weeds, drought, hail. Flax will not fight weeds; as Senator Bushfield knows it needs fairly clean ground. Generally it is about the last crop that is seeded. A drought hits it harder than any other crop.

Senator BANKHEAD. What is that?

Mr. DODD. Drought will hit it perhaps harder than it will most any other crop. The fact that it does not do well fighting weeds means you have got to take pretty good land, and because that good land if seeded to spring wheat will produce more income is one reason why there is a drop in the acreage in flax. Another reason is if we increase the acreage next year we will not need to import it. Argentina is burning up part of it for fuel. Last year we got considerable flax from Canada, but not anywhere near enough to make up the deficit.

Senator ELLENDER. Mr. Hutson, you gave as your third reason free insurance.

Mr. HUTSON. Free insurance.

Senator ELLENDER. What do you mean by that?

Mr. HUTSON. For instance, we have the program on flax for the year 1945. What I mean is establish a normal yield and insure up to a certain amount, a guaranteed amount, so that the farmer will at least get his money back on the planting.

Senator ELLENDER. Of the three methods of approach you mentioned, which would be the more conducive to producing the 5,000,000 acres?

Mr. HUTSON. Insurance will get the job done more cheaply than in any other way. If you do it entirely on upping the price the man who is concerned as to whether or not he will get a crop at a high price, there has not much inducement. He will say, "I am not sure I can get a crop. I have had my good years and bad years on flax and I am not sure I can get a crop." If it is a commodity such as peanuts, for example, where they can get a crop most any year, you can do it by upping the price.

Senator ELLENDER. Would you guarantee the producer against loss?

Mr. HUTSON. The amendment that has been suggested would merely provide that the premiums be waived for the year 1945, and the other provisions of the insurance law that the Congress finally decides upon

be made applicable to flax, so it would be whatever provision you people decide upon.

Senator ELLENDER. You would not change the law?

Mr. HUTSON. There would be two simple amendments to the law and it would provide for free insurance.

Senator BANKHEAD. Is flaxseed in the bill as it passed the House?

Mr. HUTSON. Yes. Here is the difficulty you would have in selling the program to the flaxseed growers in 1945, that is, an insurance program on flaxseed: First, they have had no experience with insurance on flax. We have had insurance on wheat and cotton but not on flax. It is rather late now to go out and do a thorough educational job, and then your premiums would probably be high enough to make it very difficult if you are going to make it pay out and try to build up a reserve in line with the principles of the bill and you will probably find it very difficult to sell your insurance to the farmers in the time you have available. For that reason we recommend and believe that probably the cheapest way to get the job done would be to waive the premiums on insurance on flax for the year 1945, and then that flax be put on the same basis as the other two crops, cotton and wheat, so the three major crops, cotton, wheat, and flax will have had some experience with the insurance.

Senator RUSSELL. How do you propose to have these premiums financed, Mr. Hutson? Will you let the beginning of the new operation of the corporation start off with that much less, or do you propose to have it paid by some appropriation? We have had some difficulty with the Crop Insurance Corporation. It has been strangled to death because of the losses incurred. I would not like to see this one saddled with a loss to start with.

Mr. HUTSON. In view of that experience it might be better to go up for a deficiency appropriation, Senator, immediately after the passage of the bill. It is difficult—and this would be true of the crop insurance generally—to know the exact amount of your losses. You cannot know the exact amount of your losses at the beginning of the year, but an estimate could be made that might exceed the amount of the losses, depending on developments, or it might be slightly less. We could make a rather full estimate.

Senator BUSHFIELD. There is no limitation on the premiums. You could make the premiums large enough to pay out, could you not?

Mr. HUTSON. We can, if you could sell the insurance. You are going into a commodity in which you are asking for a 50 percent increase in production in one year, and with the time available we question if you would be able to sell the insurance to the farmers, collect the premiums, and get the increased production even though you substantially increase the price. Mr. Wright here has been talking to some of the people in the field. He has had one very definite report from Leroy Smith, who was the former manager of the Corporation. You might tell them about that, Mr. Wright.

Mr. WRIGHT. After this proposal was discussed somewhat, I called Mr. Smith. I believe last Saturday afternoon he was in a meeting in Minnesota with the State and county A. A. A. committeemen. I asked him to find out about the thinking of the folks there as to the production of flax. Minnesota has a goal of 1,550,000 acres.



Senator BANKHEAD. Is that under this new goal of 5,000,000 acres?

Mr. WRIGHT. Yes; for 1945. They had been told before the meeting to go out among the farmers and discuss it out in the counties, to determine how much flax acreage they were going to be able to obtain under the present price situation, and they reported back they would not be able to exceed 750,000 acres. That is slightly less than half of the goal. He submitted this proposal to them and they thought with free insurance they could come very close to the goal, but they might not be able to reach the goal fully with free insurance.

Mr. HUTSON. But they might have to up the prices.

Mr. WRIGHT. With a little increase in price and with free insurance, they felt they could get 1,800,000 acres.

Senator RUSSELL. Are you still making the nonrecourse loans to the flax producers through the Agricultural Credit Corporation?

Mr. DODD. No loans were made last year, no nonrecourse loans.

Senator RUSSELL. No nonrecourse loans were made last year?

Mr. DODD. No.

Senator RUSSELL. Two years ago we undertook to increase the production of flax by making the nonrecourse loans.

Mr. DODD. That is a fact. A lot of money was loaned in the Northwest on the nonrecourse loans, but there were not nonrecourse loans made last year.

Senator ELLENDER. Mr. Hutson, should we decide to give this free insurance that you speak of, how much, in your opinion, would it cost the Government for each acre planted to flax?

Mr. HUTSON. Mr. Wright has made some estimates on that.

Mr. WRIGHT. We have Mr. Rowe here who has been working on some estimates and he is better qualified to speak on that than I am.

Senator ELLENDER. My reason for the question is to show the contrast between an incentive payment and what it would cost the Government for free insurance. As Senator Russell pointed out, I would dislike to let the Corporation begin with an apparent deficit before it starts operating. I think if we could handle the matter separately, it would be better.

Mr. ROWE. Our preliminary estimate indicates the premium, on an average over the country, would probably be 0.9 of a bushel, or about \$2.50 an acre; or so. The losses would vary depending on the kind of crop we had. It might be less than that or it might be considerably more than that.

Senator SHIPSTEAD. What is the anticipated price?

Mr. ROWE. The price varies. We used as an average \$3 for central market price, less 15 cents transportation, or \$2.85.

Senator ELLENDER. That would be \$2.50 per acre in contrast to an incentive payment in 1943 of \$12.50?

Mr. DODD. \$12.50 an acre, but that was in excess of the normal acres.

Senator ELLENDER. What would that be?

Mr. DODD. In this case it would be about 2,000,000 acres if we used 3,000,000 or 3,500,000.

Senator ELLENDER. What would the excess be?

Mr. DODD. The excess would be 2,000,000 acres.

Senator ELLENDER. That would be \$6 an acre in round figures?

Mr. DODD. The incentive payment as it was proposed in 1943 would be \$12.50 an acre on 2,000,000 acres.

Senator ELLENDER. What I mean is on the whole acreage.

Mr. DODD. Yes; \$6 on the whole acreage, or slightly less than \$6 on the whole acreage.

Senator ELLENDER. So if you gave an incentive payment of \$12 on all acreage in excess of the amount previously planted it would cost the Government \$6 an acre on all, or about \$3.50 more than the insurance would cost; is that right?

Mr. DODD. That is right.

Senator RUSSELL. Have not you had some kind of a floor on flax prices?

Mr. HUTSON. We have already announced for the coming year a floor of \$3 for flaxseed based on Minneapolis, which compares with the price of \$1.85 in 1941. But with this \$3 price we are getting reports such as these that Mr. Wright gave you about the acreage we will be able to get, and they did not come entirely from Government people; they come from people in industry that are greatly concerned about having enough paint to do the job.

Senator BANKHEAD. How will you carry out your floor price of \$3?

Mr. HUTSON. We will enter into a contract with the people who process this seed to pay this price to the farmers.

Senator BANKHEAD. They will buy it at that price?

Mr. HUTSON. Yes.

Senator RUSSELL. The incentive payment is in addition to the guaranteed price?

Mr. HUTSON. It would be.

Senator RUSSELL. And even with both of those you do not think you will get the acreage?

Mr. HUTSON. I think the incentive payment would tend to take the place of the free insurance. I do not think you would need to have free insurance and the incentive payment at the same time. I think they are alternatives. I think you could up the price enough and you would get some increase, but you will not get as much increase as you would by using the same amount of money for free insurance or for incentive payments. I think you can do it either with the free insurance or incentive payments.

Senator RUSSELL. The farmers that grow flax are different from those that grow other commodities. A farmer naturally is a gambler. He would take an incentive payment before he would take insurance. This bill changes the whole structure of insurance. It no longer pays the man the value of his crop but only undertakes to pay him the actual losses in planting the crop. If the farmer had any desire to take any chance at all, at seems to me he would favor the incentive payment rather than the insurance plan.

Senator ELLENDER. That is another reason why I would advance the incentive payment view rather than free insurance if you wanted protection.

Senator BUSHFIELD. Mr. Hutson, you say this hasn't anything to do with the war, that the civilian population would require it after the war, and still you want to pay a lot of Government money out to induce people to raise flax. Can you explain why it should not stand on its own bottom instead of the Government paying for it?

Mr. HUTSON. You mean why not move the price of the product up, that is, advance the price?



Senator BUSHFIELD. No. Why should the Government have to stick in any money at all to run the program if it is a good program? We are all for it if it supports itself. You would not find any objection probably by anyone today if it stands on its own feet, but if you have to dip into the Treasury to help part of the the program, that is what puzzles me, because this is not, according to your statement, a necessity for the war but simply for civilian needs after the war.

Mr. HUTSON. With the war conditions in Europe as they are, it is practically, Senator, related to the war effort. For example, we get some parilla oil from China, and also tung oil from China.

Senator BUSHFIELD. Yes, I understand that. You said awhile ago this was for the use of painting the buildings of the civilian population. If that is what it is, I cannot see any justification for the Government paying for it.

Mr. HUTSON. We have followed the principle right along of moving farm prices to a level that would get the farm production that we needed. If ceiling prices were not high enough, or were not in line with prices that would grow the crops, then we would absorb it as a loss. We have absorbed losses on soybeans each year that we have been producing soybeans.

Senator BUSHFIELD. I am not talking about war production, I am talking about what your proposal apparently is, and that is to increase the production of flax for use of the civilian population when the war is over. Why cannot we put a show on here that will stand on its own feet without the Government financing it?

Mr. HUTSON. I will say again, if you want to undertake a program of incentive payments I think you will get your production of flax, if we move promptly on it.

Senator BUSHFIELD. You have not answered my question. I do not like to interrupt you, Mr. Hutson, but you haven't answered my question. I asked why cannot you have an insurance program that will stand on its own feet without Government assistance.

Senator ELLENDER. Well, you have had experience on wheat for 5 years and on cotton for 2 years, and the losses were so great that you do not have any insurance today.

Senator BUSHFIELD. \$26,000,000 in the hole.

Senator ELLENDER. Sure. When you speak of letting it stand on its own feet, I do not believe it is possible.

Senator BUSHFIELD. Are we going to continue farming in this country by taking money out of the Treasury to run the farming business?

Senator RUSSELL. I think it is hardly possible for the Government to lose money.

Senator ELLENDER. My guess is, if the bill goes in as written, you will not have any insurance at all.

Senator BUSHFIELD. I still have not received an answer from Mr. Hutson to my question, and I would like to have that answer.

Mr. HUTSON. Senator, with respect to crop insurance, and balancing the budget in connection with crop insurance, I think we ought to keep in mind that private companies have tried the insurance of crops for a number of years. They have not been able to sell it to farmers and collect enough premiums to pay out the losses and they have generally dropped it, either because they could not sell enough insurance or because the losses exceeded the premiums.

Senator BUSHFIELD. I know that.

Mr. HUTSON. Now, what do we do in the Government? What have we been doing? We have been going along until they had the disaster and then appropriating a sum of money to bring relief. Crop insurance is merely a method of trying to foresee the needs and trying to get farmers to foresee the needs and set up some reserve themselves, with the Government, as I see it, being prepared to prevent the Government from paying a large amount at a later time.

Senator BANKHEAD. Mr. Hutson, I think the Senator's inquiry goes to the fundamental question——

Senator BUSHFIELD (interposing). I have not finished, Senator.

Senator BANKHEAD. Excuse me.

Senator BUSHFIELD. Your bill on page 4 says you will charge such a price as to run the operation yourself and set up a reserve. Do you mean that or do you mean something else?

Mr. HUTSON. I think it is going to be exceedingly difficult to sell insurance and collect premiums high enough to make it stand entirely on its own feet.

Senator BUSHFIELD. Then the idea is, the Government is simply going into the insurance business. I am trying to get this thing straight in my own mind. Is that your objective? Is it to pay part of the insurance?

Mr. HUTSON. That would be my own thinking, that it would be sound public policy to do it, to pay part of the insurance on crops.

Senator SHIPSTEAD. In order to get production.

Mr. HUTSON. In order to get production.

Senator BUSHFIELD. And eventually you hope to extend it over most of the agricultural crops?

Mr. HUTSON. I do not know how far you can extend it.

Senator BUSHFIELD. The bill provides for experimental courses here, it provides for 3 years to find out something about this whole situation.

Mr. HUTSON. I think it represents sound policy, yes, for the Government to pay part of the insurance on crops.

Senator BANKHEAD. You brought out, Mr. Hutson, substantially what I started to comment on, that the Senator's question went to the fundamentals of the whole program. It has been acted on by the platforms of both parties.

The CHAIRMAN. At this point I might put into the record what the two platforms state.

Senator ELLENDER. That is what I was going to ask Senator Bushfield now. I would like to know how the Republicans would have done it to make it stand on its own feet.

The CHAIRMAN. Here is what the Republican platform states——

Senator SHIPSTEAD (interposing). I have got to go before the Interstate Commerce Committee and I would like, before I go, to take about 2 minutes.

The CHAIRMAN. Let me put in the two or three lines of the two major party platforms, and then we will hear you.

The Republican platform states as follows, under paragraph 9 [reading]:

Serious study of and search for a sound program of crop insurance, with emphasis upon establishing a self-supporting program.



Now the Democratic platform states as follows:

Price guaranties and crop insurance to farmers with all practical steps—and then it gives the practical steps. That is the broad principle. Now, Senator Shipstead.

Senator SHIPSTEAD. I have followed this crop-insurance business through private companies and I do not believe you can sell the insurance high enough to cover losses. The farming game is the greatest gambling game in the world. There is no one takes as much risk as the farmer. He gambles with weather and everything. Now, if you are going to have production, I do not see how you are going to get production unless you guarantee a price that will afford the farmer to gamble on putting in sufficient acreage.

Out of the two programs, I think you would find the most satisfactory program to be an incentive payment. The farmer would know what he is going to get, and he is willing to take a chance if you pay him a price where he can see that he can afford to gamble.

A civilian is part of the war program too. If this war lasts for another 2 or 3 years, as the progress of the war seems to indicate, certainly in the Orient if not in Europe, are you going to let the great civilian population permit the buildings to deteriorate and go down for lack of paint? Just think of the tremendous losses! These buildings are mostly made of boards, and you know they have got to be painted ever so often. You are going to have a terrific deterioration of private property.

In the aggregate you are paying the war contractors all kinds of prices—cost-plus and all that—in order to get production. Is there anything wrong in giving the farmer a price when you want the production? I have got a farm. If you want production, you will have to pay the price on flax. It is a very risky crop. It is about the most risky crop there is. As far as I am concerned, in this public emergency I do not see where there is anything wrong for the Government having an incentive price for flax if you want it, any more than any other crop.

There is another thing that Senator La Follette asked me to call to the attention of the committee. He thought there ought also be something on hay, and, in my opinion, there ought to be something on corn, to protect the crop. I do not think insurance can be sold on flax. It is too risky a business to raise the crop. I think you will find at least 80 or 90 percent of the farmers will see it the same way.

I am sorry for interrupting, but I have got to go.

The CHAIRMAN. Thank you, Senator. The amendment will be made a part of the record.

(The amendment referred to is as follows:)

[H. R. 4911, 78th Cong., 2d sess.]

AMENDMENTS Intended to be proposed by Mr. LA FOLLETTE to the bill (H. R. 4911) to amend the Federal Crop Insurance Act, viz:

On page 1, line 5, after "cotton," insert "tame hay,".

On page 1, line 8, after "cotton," insert "tame hay,".

On page 3, line 3, after the period, insert the following: "For the purposes of this section, tame hay from which a crop would normally be harvested in 1945 shall be deemed to have been planted for harvest in 1945 whether or not a crop has been harvested from such hay in any prior year."

On page 3, line 8, strike out "tame hay,".

Senator BUSHFIELD. In that connection, Senator Gillette telephoned me and asked me to speak on his behalf and at the appropriate place include corn in this bill.

The CHAIRMAN. Senator Bushfield, inasmuch as you are a practical flax grower, will you, for the record, please, make a brief statement as to the nature of flax? What does it look like? Is it a crop that looks like wheat, or oats, or alfalfa, or clover?

Senator BUSHFIELD. Not at all. Flax, in my country, grows perhaps 18 inches, maybe 24 inches, in height. It is a spindly little vegetable, I suppose you would call it, or plant. It has a cluster, a small blossom, intensely blue in color, you can see it for miles across the prairie in my country. A flax crop in bloom is a beautiful sight. Following the blue blossoms come the seed pods in clusters at the end of the stalks of this plant which extends 24 inches in height, where a number of seeds form. You know what flaxseed is. It is flat, dark brown in color, and quite slippery.

The CHAIRMAN. About how large?

Senator BUSHFIELD. Probably three or four times the size of a pinhead, or possibly a little larger.

The CHAIRMAN. As large as a very small pumpkin seed?

Senator BUSHFIELD. No, no; I doubt if it is over one-sixteenth of an inch.

Senator ELLENDER. About one-sixteenth of an inch long and about one-thirty-second of an inch in width.

Mr. DODD. About one-fourth the size of a grain of wheat.

Senator BUSHFIELD. Yes.

Senator RUSSELL. It is shaped very much like a cantaloup seed, only smaller.

Senator ELLENDER. Mr. Hutson, for the past 10 or 12 years, all of us have been trying to help the American farmer. To follow the argument of the Senator from North Dakota, that is, that they should be left to stand on their own feet—

Senator BUSHFIELD. (interposing) I am from South Dakota.

Senator ELLENDER. Excuse me. Would it not be possible for us to obtain the flaxseed from Argentina or some other country at very much less expense to the people of our country?

Mr. HUTSON. I do not think you can be sure that you can get it that way, Senator. You might or might not. They do have a small crop there. They are burning it for fuel, they are burning some flaxseed. It is a long distance from here to the Argentine, there is difficulty getting it, so I think the only way we can be sure of having it when we need it is to produce it. I think we have the facilities for producing it in this country. We have adopted that policy generally here. We have not taken too many chances, and we produce most of the product that we need during the war.

The characteristics of this crop are such as to make it different from the other crops. The hazards in growing it are a great deal greater.

My inclination, of course, when I say we were going to have difficulty in getting it, was to increase the price. The people who are familiar with the growing and production of flax, both in the Government and out, say that is not the way to do it, that you will not get your acreage of flax because of the peculiar nature of the plant, except if you go to a perfectly fantastic price.



Senator ELLENDER. Of course in asking that question, I am for the American farmer first. In the statement made by Senator Shipstead from Minnesota, he expressed the view that I had previously expressed. I personally believe, in order to get the job done of producing more flaxseed, if you need it, the better way to do it would be to give an incentive payment. That would be my slant on it.

Mr. HUTSON. I think the job can be done either with an incentive payment or with free insurance. We will try to make either way work that you want to decide upon. We would like to know before too long, so we can get to work on it.

Senator BUSHFIELD. The State of Minnesota increased their flax yield by an acreage perhaps of 10 percent in the last 4 or 5 years.

Mr. DODD. Your table shows they have cut it in two.

Senator BUSHFIELD. Yes, I know, because of market conditions. When they had a market for their flax, the farmers in Minnesota did not have any trouble getting the acreage that they want.

Mr. DODD. They have had the market at the highest price they have had it for many years, Senator, at \$3.

Senator BUSHFIELD. It is the largest flax State in the Union by many times.

Mr. DODD. Not by many times. I think I have some figures here on State acreages.

Senator BANKHEAD. Have you had a support price?

Mr. HUTSON. Yes; we have had it since we have had a support price on any commodity—we have had a support price on flax.

Senator BANKHEAD. Apparently you have not had it high enough to justify the continued high production.

Mr. HUTSON. That is right. With the price of \$2.95 for the past year, the production dropped almost one-half.

Senator BANKHEAD. What was it the previous year?

Mr. HUTSON. \$2.70; \$2.95 in 1944; and \$2.70 in 1943.

Senator BANKHEAD. The increase resulted in a reduction?

Mr. HUTSON. In a reduction.

Senator RUSSELL. I personally would not care which method of approach we use, whether incentive payment or free insurance, provided some arrangement can be made in advance to finance the losses on insurance. I have not been scared by what I consider rather small losses incurred by the Crop Insurance Corporation. We are dealing with a new field. The private companies undertook to offer complete insurance on crops, they offered all kinds of insurance on crops, but we know from their experience that you cannot expect private companies to sell crop insurance. They will not sell it at a price that the farmers can afford to pay, and at terms that will make it profitable to them.

I have seen a number of appropriations made for as high as \$15,000,000 to \$20,000,000 for relief to farmers in a very small area, relatively speaking, when you have a flood or an unusual drought, and Congress continued to make the appropriations as long as we have had the drought conditions in those areas.

I think it is cheaper in the long run to stand some loss in the crop insurance area than it is to set up an entirely new organization every time you have a big flood or drought, that will go into that area and deal with it.

The Congress is not going to let any large section of the country be wiped out due to adverse crop conditions. They certainly demonstrated that when they had a number of years of complete wheat failure in the Northwestern States. We poured out money through the Farm Credit Administration, not only loans that never can be collected but substantial grants running up to \$15,000,000 and \$20,000,000, which was given to farmers out of hand. It is my idea it is better to stand a small loss in crop insurance and have a fixed policy rather than have Congress pass a law every time you have a bad crop in the area. I think it would be more economical in the long run.

Mr. WRIGHT. Senator, in regard to that, a committee set up by the President reported to the President on crop insurance. Before the legislation was presented, it estimated that in the 10-year period ending 1935, approximately \$600,000,000 in relief had been made available to farmers.

Senator RUSSELL. I had not seen those figures.

Senator BANKHEAD. How many years?

Mr. WRIGHT. A 10-year period.

Senator RUSSELL. I have seen, as a member of the Appropriations Committee, every year almost, a bill for special relief somewhere in the country. I know for a number of years up in the Dakotas we had to almost finance the farmers directly from the Federal Treasury, to keep them from starving to death. They had several years of very severe drought there. The Senate has passed a bill to cancel all those old debts. They are running into the tens of millions, if not hundreds of millions of dollars. It seems to me it would be more economical to sustain a small loss and let the farmers all over the country bear the burden. It would be more economical in the long run and a lesser drain on the Federal Treasury.

Senator BANKHEAD. Is that report available?

Mr. WRIGHT. Yes.

Senator BANKHEAD. Where can you get it?

Mr. WRIGHT. I will make it available to you.

Senator ELLENDER. Has it been printed?

Mr. WRIGHT. Yes; it has been printed and it is part of the report of the President's committee.

Senator RUSSELL. That was before we passed any crop-insurance law?

Mr. WRIGHT. Yes.

Senator RUSSELL. That was the basis of the crop-insurance law?

Mr. WRIGHT. Yes.

The CHAIRMAN. Mr. Wright, it is not the plan of the proponents of this legislation to make each particular crop stand on its own bottom; for example, to make hay stand on its financial foundation, only pay losses on hay, make the premiums come out of the insurance on hay; to make the losses on cotton, or wheat, or whatever it is on, come out of the premiums paid for that particular crop. Is it not the plan to assemble all of the premiums in a common pool and then pay the losses on all crops out of that common pool fund?

Mr. WRIGHT. Senator, I believe some of the members of the House insisted that each crop stand on its own.

Senator ELLENDER. That is what the bill provides.



Mr. WRIGHT. Yes.

Senator BANKHEAD. What do you think of the wisdom of this?

Mr. WRIGHT. I cannot answer your question, Senator. That was placed in there wholly in response to some Member of the House. I do not know what their thinking is.

Senator BANKHEAD. Was it put in on the floor?

Mr. WRIGHT. I believe not.

Senator BANKHEAD. Was it put in in the committee?

Mr. WRIGHT. In the committee, I believe.

Senator RUSSELL. You have always kept that fund separate, have you not, so as to show how much loss there was on wheat and how much loss on cotton?

Mr. WRIGHT. That is right. That is provided in this bill. If there are not sufficient premiums paid to take care of the losses, then the loss may be reduced by not to exceed 15 percent for the first 3 years.

Senator BANKHEAD. You mean payable to the farmer?

Mr. WRIGHT. Yes, sir.

Senator BUSHFIELD. Mr. Wright, may I ask you a question?

Mr. WRIGHT. Yes.

Senator BUSHFIELD. On page 1 of the bill, in naming the things that the insurance would cover, you have this clause "unavoidable causes." Would you please explain what it covers?

Mr. WRIGHT. This provision was changed on the floor of the House. "Unavoidable causes" are those causes over which the farmer has no control.

Senator BUSHFIELD. Well, there might be a multitude of things happening over which you have no control.

Mr. WRIGHT. That is correct.

Senator BUSHFIELD. I am asking how far you were proposing to go with this.

Mr. WRIGHT. We were suggesting an amendment to that. The way it is written now, it just says "unavoidable causes" and it does not make any reference as to how those are to be determined. Perhaps a producer would have as much right to determine what an unavoidable cause would be as the Corporation.

Senator BUSHFIELD. My understanding of the purpose of the act, or the objective of the act, was to take care of weather hazards.

Mr. WRIGHT. In some of these new crops I think, generally speaking, we know about what most of the hazards are, but there are some minor hazards in connection with the new crops that we might not have covered. It is doubtful that we can cover all of them by specifically spelling them out.

Senator BUSHFIELD. Well, just as an illustration, suppose some no-account neighbor of yours let a fire get away from him and burned up your crop, would a case of that kind come under the crop insurance?

Mr. WRIGHT. No, sir; that would not come under this.

Senator RUSSELL. That would be confined to weather, there. Take the grasshoppers, there is a natural hazard in grasshoppers.

Mr. WRIGHT. It also covers malfeasance.

Senator ELLENDER. Suppose the farmer is not negligent in any way but he sustains a loss through his neighbor's carelessness.

Mr. WRIGHT. If it is not through carelessness of his own, he would be covered.

Senator BUSHFIELD. If the farmer himself had nothing to do with the fire.

Senator ELLENDER. In that case it would be paid?

Mr. WRIGHT. Yes, sir.

Senator BUSHFIELD. That is what I wanted to know, if it would cover that kind of a case.

Mr. WRIGHT. Yes. I have a representative from the Solicitor's office here with me, Mr. Shields. Mr. Shields, would you like to say something on that?

Mr. SHIELDS. Yes. The House struck out the phrase "and such other unavoidable causes as may be determined by the Board." The House struck that out and added four or five specific things, with the understanding, apparently, according to some of the Members of the House, that henceforth only the specific causes would be covered. It seems to me the striking out of that phrase merely removes the clarity that was in the bill, that is, the Board would determine what would be covered and what would not. It does not accomplish what the House thought, namely, that only the specific causes mentioned would be covered, because it says any unavoidable cause would be included. It would seem to me we should cover not only just the causes mentioned but also any unavoidable cause as determined by the Board, because if you are going to have an experimental program on any number of commodities, you may not mention all of the causes, you may not be able to think of all of the causes. I do not believe all the causes that are covered are mentioned there, so it seems to me, as the bill now stands, as passed by the House, we would not be restricted to just those causes mentioned.

I think it would also be desirable to restore the language, so there would be no doubt that the Board would determine what is covered and what is not and that the matter would not be left to litigation and to doubt. I think it is a pretty important point.

Senator BUSHFIELD. What was the theory of the original bill?

Mr. SHIELDS. The theory of the original bill was that any unavoidable cause that the farmer could not help should be covered, anything that the Congress could not foresee, or anyone else could not foresee at that time. Senator Pope at one time said when the bears start coming down the mountains to eat the crops, that should be covered. There are all kinds of things that might come up which you cannot think of, and the bill was written to cover any unavoidable cause, and then it named the more important ones. The House added more to that, and then left out this general phrase. I think it would be desirable, from an operating standpoint, to have the phrase restored, but even if it is not restored we could cover other unavoidable causes. I think it is desirable that flexibility be specifically retained.

The CHAIRMAN. Have you any further suggestions, Mr. Wright or Mr. Hutson?

Senator RUSSELL. I would like to ask Mr. Hutson one or two questions. Mr. Hutson, a number of years ago I became very much interested in the tung-oil industry in this country. We were wholly dependent on outside sources. We got some little appropriations that were continued from year to year, to experiment with tung oil. I understand that is very important not only in the making of paint but it is essential in the manufacture of ink, it is one of the very



critical commodities. What, if anything, have you done toward encouraging tung-oil production or guaranteeing a price on tung oil?

Mr. HUTSON. I do not think we could do much toward encouraging production in this country that would help us out in the next couple of years.

Senator RUSSELL. Do not the orchards start bearing in a couple of years?

Mr. HUTSON. Yes. The price, as I recall, is some 36 cents a pound for that oil. It is relatively high priced compared to what we formerly paid for the Chinese tung oil.

Senator ELLENDER. How does it compare with flaxseed?

Mr. DODD. It is a drying oil, put in as a drying agent, and you can use other oils, poorer quality oils than linseed oil, with it. It is to give drying qualities to these other oils.

Senator RUSSELL. The tung oil has other values, other than in paints?

Mr. DODD. That is right.

Senator RUSSELL. Other things that are just as essential, and even perhaps more critical?

Mr. DODD. That is right.

Senator RUSSELL. You say 36 cents a pound?

Mr. HUTSON. I believe that was the price this year.

Senator RUSSELL. Compared with the average price of around 14 or 15 cents?

Mr. HUTSON. I do not know what it was this year. I remember it before the war.

The CHAIRMAN. Are there any more questions, Senator Russell?

Senator RUSSELL. That is all.

The CHAIRMAN. Senator Ellender.

Senator ELLENDER. Mr. Wright, do you favor the proposal in the bill that each commodity shall stand on its own bottom, insofar as the payment of insurance, setting aside reserves, and so forth, is concerned?

Mr. WRIGHT. I would answer your question, Senator, this way: If this provision for proration is in effect, there is some basis for having it. From the standpoint of an over-all insurance program it would certainly place some obstacles in the way of good operation.

Senator ELLENDER. You did not quite answer the question there. Do you favor it or not? We will have to probably redraft this bill and we would like to get for the record the benefit of your views, because I think that is a very important question.

Senator BANKHEAD. What was your question?

Senator ELLENDER. As to whether or not we should let each crop stand on its own bottom.

Mr. WRIGHT. Well, if I were writing it myself I would rather have it out.

Senator ELLENDER. You would rather have it out?

Mr. WRIGHT. Yes.

Senator RUSSELL. If it comes out, then the proration clause comes out also. Mr. Wright?

Mr. WRIGHT. I would think it would, Senator.

Senator ELLENDER. What part of the bill is that?

Mr. WRIGHT. You might run into some obstacles in administering it. You take wheat, for instance. If you operate the program and pay out on wheat and go into the red on cotton and then make a pro-ration jointly over both crops, and if in spite of the surplus on wheat you reduce wheat farmers' claims to help pay the losses on cotton, there might be some objection to it.

Senator ELLENDER. On page 5 of the bill it is provided [reading]:

With respect to which insurance has been in effect on any crop after the enactment of this Act the payment shall not be reduced by more than 15 per centum of the amount of the approved claim.

Mr. WRIGHT. Yes, sir.

Senator ELLENDER. Now, suppose that the loss is greater; in other words, suppose that it would take 20 percent rather than 15 percent, what would you do in that case?

Mr. WRIGHT. For the first 3 years it could not be more than 15 percent, in accordance with this. The Congress provides a capital fund from which fund losses are paid.

Senator ELLENDER. In other words, the losses would have to come, then, from the Government?

Mr. WRIGHT. Yes, sir.

Senator BANKHEAD. Mr. Wright, let me ask you this question.

Mr. WRIGHT. Yes.

Senator BANKHEAD. That is for the first 3 years?

Mr. WRIGHT. Yes.

Senator BUSHFIELD. The losses you sustained up to date are taken out of the \$100,000,000?

Mr. WRIGHT. That is right.

Senator BANKHEAD. Pursuing this a step further, as to whether or not each commodity should stand on its own feet, taking wheat and cotton to be the only commodities insured, and suppose you had a rate on cotton which proved to be self-sustaining, and on wheat, because of undue circumstances, drought, and so forth, it was insufficient, now, in adjusting it, if you had it all in one pool, or one pot, whatever you call it, a common fund, in order to make it self-liquidating, or self-sustaining, I will say, would you think it right to increase the rate on cotton in order to support the fund on wheat so they would go in one common fund?

Mr. WRIGHT. I do not think you can operate it that way. I think there would be too much opposition from farmers.

Senator BANKHEAD. So that, in your opinion, would lead back to the proposition that each should stand on its own feet?

Mr. WRIGHT. Yes; if the 15 percent is left in here.

Senator BANKHEAD. If it is not self-supporting, then your theory is that commodity, in due course, would be dropped out of the general program because it is not self-supporting, it would not be at a rate that the farmer would be willing to pay?

Mr. WRIGHT. Yes.

Senator RUSSELL. Did I understand the bill to provide that all administrative expenses should be collected from premiums?

Mr. WRIGHT. No, sir; I do not believe it has ever been contemplated that the administrative expenses would be added into the premiums.



Senator RUSSELL. How about this provision on page 4? I have not had an opportunity to read all this before. It says [reading]:

*Provided*, That, after the crop year of 1945, not more than a sum equivalent to 25 per centum of the premiums collected in the preceding year (beginning calculation of premiums collected in the crop year of 1945) shall be used for administrative expenses in any current operating year.

Is that a limitation only on the appropriation?

Mr. WRIGHT. Yes, sir; very definitely. The effect of this would be, we could not operate the program. Something would have to be worked out, I think, Senator Russell.

Senator BANKHEAD. That was covered yesterday.

Senator RUSSELL. I am sorry, I was not able to be here yesterday.

The CHAIRMAN. Are there further questions, or are there further suggestions by the proponents of the bill, Mr. Wright or Mr. Hutson?

Mr. HUTSON. I do not believe so. I might sum up our views. We have drafted an amendment that would provide for free insurance, or, in the event it is elected to go the other route, I think something could be drafted quite quickly that could be tied on as an amendment in the event the committee decides to dispose of the flax question along with the insurance question.

Senator BANKHEAD. Why cannot you add that as an amendment? Why cannot you put in the supporting price at whatever level you thought would bring about the production? That is what you are doing with all the other crops. Why does this need separate treatment?

Mr. HUTSON. By just upping the price you cannot do it. The people who are familiar with the production of flax tell me they will not get the production just by upping the price. Then I come to the two alternatives: (1) free insurance on flax, or (2) some incentive payment of some kind. There was some controversy about the incentive payment.

Senator BANKHEAD. What is the difference between an incentive payment, as you understand it, and a supporting price?

Mr. DODD. I wonder if I may be permitted to answer that question?

Senator BANKHEAD. Yes, Mr. Dodd.

Mr. DODD. An incentive payment, Senator, is something that the farmer has obtained even if he lost his crop. If you gave an incentive payment of \$5 an acre on flax, the farmer would have that regardless.

Senator BANKHEAD. If you put it up on the basis of acreage but not production?

Mr. DODD. It is the most risky crop to grow in the northern part of the United States. It is a very expensive crop to seed, with the seed being \$3.50 to \$4 a bushel. It is a very expensive crop to seed and it is the most risky crop we have. I think the records on production and acreage over the years speak for themselves. Take Minnesota alone, one of the great northern producing areas, they cut in two the acreage on flax that they had before. The price was high, the price was already \$3 a bushel at Minneapolis. It takes something besides price to assure a crop of flax in this country. If you want oil to use in the building program and rehabilitation program next fall, you have got to increase your acreage. Up to now we have had a certain shortage of imports. A year ago we had enough Argentine and Canadian flax to keep the eastern crushers going, but this year we haven't had any except a small amount. We are facing 1945 with practically no linseed oil in this country. I do not believe you want

to go into this rebuilding and reconversion program with a real shortage of linseed oil.

The peculiarity of this situation is that growing flax is very risky. Take the farmer in North Dakota or Minnesota, he has the choice of planting wheat or barley, or other small grains, rather than flax. His yield on wheat is more than double his yield on flax. It is a much more sure crop. It will fight weeds, it will stand the drought better, and the storms, in case of a hailstorm, it will do better than flax. The farmer, looking at it from an insurance standpoint, will choose wheat rather than flax, even though the price of flax is twice the price of wheat.

Senator BUSHFIELD. He makes more money raising another crop.

Mr. DODD. That is the whole thing, Senator. Free insurance is an incentive. You can say to him, "All right, you prepare the ground, you buy the seed, and if you don't get a crop we will protect you anyway." Otherwise it is a dead loss to him.

Senator RUSSELL. Giving my own individual views, I think the incentive payment is infinitely preferable, from a number of standpoints. After this new crop insurance law, if we are going to take on any free insurance of this kind you are going to have every other crop that is seeking relief going to seek insurance, thereby pyramiding your losses, and the opponents using it as an argument against continuing the crop insurance program. I would like to play it across the board as I see it. I think it would be beneficial to the whole agricultural program of the country to have an incentive payment.

Senator BUSHFIELD. Also, Senator, if you start out with free insurance, you would have difficulty in changing over to paying for that insurance afterward.

Senator RUSSELL. I think you would cloud up the whole effort to blow a breath of life into the insurance program again.

Senator BANKHEAD. You remember what controversy we had—I think it was year before last—on the subject of incentive payments as applied to soil conservation. The House committee just declined to permit any appropriation for the purpose of making incentive payments.

Senator RUSSELL. Well, we have been making incentive payments right along.

Senator BANKHEAD. That was limiting the payments to actual soil-building purposes. We could not do it on the basis of paying for acreage. They stood pat, as I understand it, against what was called incentive payments.

Mr. DODD. We had a prohibition in the A. A. A. language against making incentive payments.

Senator BANKHEAD. That is what I was talking about.

Senator RUSSELL. You made incentive payments under one guise or another. If you did not, then the whole thing would have collapsed.

Mr. DODD. We had a limitation on the A. A. A. funds.

Senator RUSSELL. Of course, you had a limitation on the A. A. A. funds, but what are the Commodity Credit guaranties if they are not incentive payments?

Mr. DODD. They are incentive to the extent that a man gets a crop; they are not incentives on the risk crops. If the farmer does not get a crop, it means nothing to him.



Senator BANKHEAD. The appropriation for the Department of Agriculture, as I recall it, simply had a prohibition against the payment of incentive payments.

Senator RUSSELL. That prohibition related to the \$300,000,000 appropriated for the A. A. A.

Senator BANKHEAD. Yes.

Senator RUSSELL. But you have had one kind or another of incentive payments through this whole program, a guaranteed price on any number of commodities.

Mr. DODD. You made a specific appropriation on grass seed of \$12,500,000 as an incentive payment. We got the greatest production of grass seed in many years.

Senator RUSSELL. I am glad to hear that. I argued against the \$12,500,000 because I said the \$12,500,000 would produce all the grass needed. The House finally adopted the \$12,500,000 on the floor.

Senator ELLENDER. Mr. Chairman, I would like to ask one more question.

The CHAIRMAN. Senator Ellender.

Senator ELLENDER. Reverting to the bill under discussion, Mr. Wright, I notice that under date of April 18, 1944, Marvin Jones made a report on H. R. 4426, and we are now considering H. R. 4911.

Mr. WRIGHT. Yes, sir.

Senator ELLENDER. Could you, or any of your staff, tell us the essential differences that exist between the bill that was passed upon by Mr. Jones and the one we are now considering? I would like to have that in the record, Mr. Chairman. It might help us.

Mr. WRIGHT. Mr. Bagwell, will you discuss that?

Senator ELLENDER. If you are unable to do that now, Mr. Bagwell, I would like to have you furnish it for the record.

Mr. BAGWELL. I would like to furnish that for the record.

The CHAIRMAN. You will prepare that statement and it will be placed in the record at this point, in answer to the Senator's question. (The matter referred to is as follows:)

ESSENTIAL DIFFERENCES BETWEEN H. R. 4426 AND THE CROP INSURANCE BILL  
(H. R. 4911) UNDER CONSIDERATION

1. H. R. 4426 provides for a general insurance program with respect to wheat, cotton, corn, rice, and tobacco. H. R. 4911 provides for a general insurance program with respect to wheat, cotton, and flax and for a trial insurance program with respect to other crops.

2. H. R. 4426 provides for insurance on cotton, corn, rice, and tobacco on the basis of a percentage of the investment in the crop, rather than a percentage of the average yield for the insured farm. H. R. 4911 provides for insurance for all crops on which a general insurance program is authorized on the basis of a percentage of the average yield for the insured farm, but with restriction that the coverage may not be greater than the investment in the crop. With respect to trial insurance, it provides, as an alternative, insurance on the basis of a percentage of the investment.

3. H. R. 4426 makes no provision for trial insurance on any crop. H. R. 4911 provides for a 3-year trial of insurance on crops other than wheat, cotton, and flax, provided the board of directors determines that sufficient actuarial data are available. Such insurance is limited to 20 representative counties for each crop.

4. H. R. 4426 contains no limitation on the amount of money which the Corporation may spend for administrative expenses. H. R. 4911 provides that after the crop year 1945, no more than a sum equal to 25 percent of the premiums collected in the preceding year shall be used for administrative expenses in any current operative year.

5. H. R. 4426 provides that if the losses on any commodity in any country exceed the premiums collected on the commodity in that county, the losses shall be prorated by counties as well as by commodities. H. R. 4911 provides for proration of losses by commodities but not by counties.

6. H. R. 4426 provides that an action on any claim for indemnity denied by the Corporation may be brought in the district court of the United States in and for the district in which the insured farm is located. H. R. 4911 provides that an action on any such claim may be brought against the Corporation in a State court as well as in the United States district court.

Mr. WRIGHT. I have a statement that I would like to place in the record, relative to this 25 percent limitation.

The CHAIRMAN. The statement is prepared?

Mr. WRIGHT. Yes.

The CHAIRMAN. Without objection, the statement may be placed in the record at this point.

(The statement referred to is as follows:)

The amendment made to the bill in the House that after the crop year 1945 the amount used for operating expenses in any current year shall not exceed 25 percent of the premiums collected in the preceding year raises many difficult problems. Let me say at the outset that we want to operate this program as economically as possible, and I believe that our record over the past 6 years indicates that we have not spent all the money appropriated to us but have saved a substantial amount, about \$7,000,000 out of \$37,000,000. Our costs per dollar of money disbursed may be somewhat higher than in other programs but that is because we are in the process of developing an insurance system and not merely in the process of distributing funds. We have the cost of preparing an actuarial basis, of writing insurance and of collecting premiums, of adjusting losses, and of disbursing funds. Our costs in percent of income are lower than for other insurance companies. Operating costs for fire-insurance companies run from 45 to 50 percent of their income (premiums). Operating costs for hail-insurance companies average about 35 to 40 percent of the income. Only in the first year of operations was this Corporation's operating cost ratio above 50 percent, and the ratio has been decreasing. In 1943 operating costs of the Corporation amounted to 37 percent of the premiums, but only 27 percent of the Corporation's total income (premiums plus appropriated funds used for expenses). It should be noted that for comparison with private insurance companies the ratio of operating costs to premiums cannot be used because premiums of the Corporation are designed to cover only the net losses whereas premiums for private insurance companies are designed to cover net losses plus operating costs and profits. Therefore, the proper ratio for comparative purposes is the ratio of operating costs to total income.

What I have said up to this point has been to point out that the costs thus far have not been excessive. I would like now to discuss somewhat the administrative difficulties that would be encountered under this amendment.

Since the amount of expense that could be incurred each year would be a percentage of the premiums for the previous year, it would be almost impossible to expand and obtain increased participation. With increasing participation increasing expenditures are necessary. With operating funds limited by the preceding year's premiums a serious handicap would be placed upon serving an increasing number of farmers.

A considerable part of the crop-insurance expenditures are fixed costs. For example, average yields and premium rates are established for all farms eligible for insurance, not just for farms insured. This work in a county involves no more expense if 2,000 farms are insured than if 100 farms are insured. The large proportion of fixed costs enables the Corporation to reduce its cost per contract substantially as participation increases. This is shown clearly by the fact that the cost per insured farm decreased from \$26.89 in 1939 to \$11.49 in 1943. This cost per farm can be cut substantially further with increased participation. We believe that ultimately the operating costs can be cut to 25 percent of the premiums when greater participation is obtained. The high percentage of fixed costs makes it impractical to regulate expenditures by a fixed percentage of premiums.



There are other technical difficulties that would arise. This Corporation insures on the basis of crop years whereas appropriations are made for fiscal years and the two do not coincide. The amount of premiums in bushels of wheat or pounds of cotton is not known when the insurance is written but only after the crop is planted and the acreage is determined. The amount of premiums in dollars cannot be determined until the maturity date of the commodity premium notes at about harvest time because the price per bushel or per pound is established at that time. (The reason for using commodity premium notes with dollar values established at maturity is to save costs of storage which, prior to the adoption of this plan, amounted on wheat alone to about \$850,000 a year.) The premiums are not fully collected until some time after the dollar value is established at maturity of the note so that the amount of premiums collected would not be available early enough to determine the amount of the appropriation and possibly not for the second succeeding year.

Then again the amount of premiums in dollars depends on the price of the commodity. Premiums of 10,000,000 bushels of wheat would be \$15,000,000 at \$1.50 per bushel and \$5,000,000 at 50 cents per bushel. This range of prices has existed during the Corporation's activities. The cost of operation is as high with wheat at 50 cents as it is with wheat at \$1.50 a bushel, but the appropriation for operating expenses would be only one-third as large.

One of the important costs to be met is of adjusting losses. These costs do not vary with the premium income but vary with the number of losses to be adjusted. There will be many more losses to be adjusted in a year of general crop failure than in a year of generally good crops.

It seems to me that it is possible to go too far in economizing on expenditures. If funds available for expenditures are not adequate for careful administration of the program much more can be lost out of capital through the payment of excessive loss claims than is saved in the cost of administration.

*Statement showing effect of limitation on administrative appropriation of 25 percent of premiums collected during the prior operation of the program*

| Year      | Premiums collected, by crop years | Administrative expense, by fiscal years <sup>1</sup> | Percentage relationship of premiums to administrative expense | Amount of administrative appropriation under the 25-percent limitation <sup>2</sup> |
|-----------|-----------------------------------|--|---|---|
| 1939..... | \$3,410,940.10                    | \$4,351,335.76                                       | 127   | -----   |
| 1940..... | 9,155,062.21                      | 5,650,839.01   | 62  | \$852,735.02  |
| 1941..... | 7,096,366.64                      | 5,028,935.81   | 71  | 2,288,765.55  |
| 1942..... | 14,750,437.07                     | 6,775,610.53   | 46  | 1,774,091.66  |
| 1943..... | 17,477,976.15                     | 6,449,116.01   | 37  | 3,687,609.26  |
|           |                                   |  |   | 4,369,494.04  |

<sup>1</sup> It should be noted that had the program operated under the 25-percent limitation, participation and premiums would have been greatly reduced below the above figures due to the limited appropriations.

<sup>2</sup> These figures reflect additional savings reported by cooperating agencies from those previously specified in the 1943 annual report.

Source: U. S. Department of Agriculture, Federal Crop Insurance Corporation.

*Total annual and per unit costs of administering the Federal crop insurance program, by years, 1939-43*

| Fiscal year | Farms insured | Total expense  | Cost per insured farm |
|-------------|---------------|----------------|-----------------------|
|             | <i>Number</i> | <i>Dollars</i> | <i>Dollars</i>        |
| 1939.....   | 165,775       | 4,351,335.76   | 26.24                 |
| 1940.....   | 360,596       | 5,650,839.01   | 15.67                 |
| 1941.....   | 371,390       | 5,028,935.81   | 13.54                 |
| 1942.....   | 569,115       | 6,775,610.53   | 11.91                 |
| 1943.....   | 522,731       | 6,449,116.01   | 12.38                 |

The CHAIRMAN. We have Mr. McDonald, the commissioner of agriculture of the State of Texas, with us this morning. He would like to be heard at this particular point.

STATEMENT OF J. E. McDONALD, COMMISSIONER OF AGRICULTURE,  
STATE OF TEXAS

The CHAIRMAN. For the record will you give your full name, Mr. McDonald?

Mr. McDONALD. J. E. McDonald, commissioner of agriculture of the State of Texas.

The CHAIRMAN. Residing at Austin, the capital?

Mr. McDONALD. Residing at Austin, Tex.

The CHAIRMAN. How long have you been commissioner of agriculture for the State of Texas?

Mr. McDONALD. Fourteen years.

The CHAIRMAN. Prior to that time what was your business?

Mr. McDONALD. Farming and ginning.

The CHAIRMAN. How long have you been a farmer?

Mr. McDONALD. All my life.

The CHAIRMAN. You may proceed.

Mr. McDONALD. Gentlemen, I am tremendously interested in this increase in flax acreage. I came up here at the invitation of the Plant Quarantine Bureau for a conference regarding the pink bollworm in south Texas and along the Rio Grande. It is becoming very serious, covering quite a lot of acreage. The only definite way of eradicating the pink bollworm is by planting some other crop than cotton.

The CHAIRMAN. Is it your understanding that flax may be planted in lieu of cotton in southern Texas and make a satisfactory crop?

Mr. McDONALD. In that area where the pink bollworm now is, is where we plant about 98 percent of our Texas flax. Last year we had, I think, about 35,000 acres. It has been grown there over 3 or 4 years, and it has pretty conclusively demonstrated that in south Texas we can produce flax.

The CHAIRMAN. What is the yield per acre in that area?

Mr. McDONALD. According to Government figures, from 6 to 11 bushels per acre. We have fields there that are producing as much as 24 bushels to the acre. My department, the State department of agriculture, has a certification division, and Mr. Miller, who is in charge, tells me that they have gotten as high as 24 bushels per acre. I understand that the average yield, according to Government figures, is very favorable as to the Northwest, where flax has been grown for a number of years.

Now, if we could get some flax planted in that pink bollworm area, it would serve two purposes. The Government is now paying out a tremendous amount of money for the eradication and control of the pink bollworm. If we have flax growing down there, as I say, it would serve two purposes. Flax is a new crop for us, but I understand in the Northwest one of the big hazards in addition to freezes is obnoxious weeds that grow in the flax, such as thistle and some other summer-growing crops. In the Rio Grande and the coastal valley of Texas, we seed our flax in November, December, and January; the climatic conditions favor it. I have never known of a crop of flax that was frost-killed in that area.

Our soils are very fertile and we use improved machinery, therefore the land can be thoroughly mulched. The soil being warm, the seed germinates fast, practically eliminating any obnoxious weed seeds. In addition to the rapid growth, most of the weed seeds grow



in the summer, and we harvest our crop before the weed seeds usually produce.

Senator BUSHFIELD. What time do you harvest?

Mr. McDONALD. We seed in November and December and January, and we harvest early in April or May and the first of June. November seeded flax will be mature and ready to harvest about the last of April.

The CHAIRMAN. Can you grow more than one crop in that area per year?

Mr. McDONALD. In that area we grow many crops per year.

The CHAIRMAN. I mean, more than one crop of flax?

Mr. McDONALD. No; you cannot grow more than one crop of flax, but sometimes they grow summer crops such as grain sorghums. The early flax comes off in April. It is not the custom to grow flax in summer. If they do, it is an exceptional case.

One of our handicaps down there in getting acreage in flax is that flax does not pay anything near the return that the grain sorghums do. Last year our yield was around 10 bushels and the price was \$2.80, and therefore the farmers who planted flax got a return of \$28 gross.

Senator BUSHFIELD. How does that compare with the value of your cotton crop on that same land?

Mr. McDONALD. Well, no farmer gets \$28 an acre out of cotton, I can tell you that now, because there is too much hand work in there. Grain sorghums last year paid from \$50 to \$55 an acre. Both crops, the flax crop and the grain sorghum crop are what we call machine crops, cultivated by machine and harvested with combines, with very little labor other than the machine labor.

So I am tremendously interested in getting an incentive payment. I do not think the insurance could possibly get the job done. I understand in the past they offered \$12.50 an acre as an incentive plan for producing flax. It is my opinion, if we can get an incentive payment of \$12.50 to \$15 an acre and make it available right away, that you can get a tremendous acreage planted in that area. I say that for two reasons: It has been demonstrated that it can be produced there, and it is a machine crop, it is an early-maturing crop, and the other incentive is that we have the pink bollworm, and this is a crop that can be substituted for cotton thereby eradicating the pink bollworm.

The CHAIRMAN. Is flax subject to damage by such things as the chinch bug, or rust, like wheat?

Mr. McDONALD. Well, Senator, no, not chinch bugs, as far as I know, in our section. Sometimes on our nonirrigated land, when it is just beginning to bloom, if we should get an unusually dry spell it kind of blights, or it does not seed heavily.

The CHAIRMAN. Are there any questions to be asked of Mr. McDonald?

Mr. McDONALD. I would like, Senator, to make some observations on the crop insurance bill that you have before you.

The CHAIRMAN. Proceed.

Mr. McDONALD. The farmer, contrary to general expressions that you hear, is not a gambler. He does not want to gamble, he does want to grow crops. He likes the open, he likes to produce the indispensable

things in life, food and raiment, but to say the farmer likes to gamble is wrong. He likes the open life.

Now, the thing that the farmer wants most is crop insurance, and he is entitled to crop insurance. He produces the indispensable things in life.

Another thing, when a farmer has a crop that fails and he does not have purchasing power, then other essential groups in America suffer along with the farmer. The thing that the farmers want more than anything else on earth is to stabilize their business, and practical crop insurance is one of the first steps toward the stabilization of agriculture and making the farmer's vocation secure.

The farmers have used the crop insurance as provided by the Government. I think it has been helpful, but the farmers recognize that it is uncertain, indefinite, impractical, and is merely a palliative. What the farmers want is a type of crop insurance that protects not only the farmer but the consumer. I think it is a very narrow-sighted farmer who would want a type of insurance that would give him some money in case of a crop failure, and then because of his crop failure, because of inadequate supplies, the consumers have to pay extremely high prices. What the farmer wants is an insurance that will protect the consumer as well as the producer.

Now, we producers feel that the interests of the producer and consumer are mutual, because there is no use for the farmer to produce if there isn't consumption. The most practical crop insurance, and the one that the Congress will have to come to, in my opinion, sooner or later, is embodied in a two-price system in marketing agricultural crops; a true, full, parity price for the products domestically consumed, the allotments for domestic consumption to be in units such as bushels, bales, or pounds, rather than acres.

The allotment of acreage in a farm program is wrong, because so much depends on climatic conditions. Now, in the allotment for domestic consumption and a true parity price you can provide the most practical crop insurance possible. If a farmer is made allotments for domestic consumption in units and he knows he is going to get a parity price, he knows about what his next year's percentage allotment will be, which will vary only as consumption varies, therefore the farmer, on major nonperishable crops or seminonperishable, would build up a reserve of those crops produced on his farm to carry at all times, so that in case of a crop failure he would have a reserve, the product of his farm, to place in the domestic market at the parity price. It would be an incentive, it would be practical for the farmer to carry reserves.

In carrying these reserves for crop insurance the farmer at the same time would be carrying out, in the most practical manner, the ever-normal granary idea, carrying adequate supplies to protect the consumer against a rise in prices in case of failure.

So, in our opinion, Congress sooner or later, and possibly the sooner the better, would have to come to this type of insurance, creating an incentive for the farmer to carry reserves which would make him eligible to go into the parity-price market as a protection for the farmer and consumer, at the same time carrying out the ever-normal granary idea with potential supplies at all times. Are there any questions?



The CHAIRMAN. Any questions, gentlemen?

If not, thank you, Mr. McDonald.

Senator RUSSELL. If I may ask one question that is not directly related, What is the cause of the increase in the pink bollworm down there? Have you people been plowing up the stalks in the southern counties of Texas?

Mr. McDONALD. We have used the control methods down there.

Senator RUSSELL. I am familiar with the control methods. I was down there 7 or 8 weeks ago. They were supposed to plow up all the stalks. I understood you had a State law that required them to do it, in addition to the efforts put forth in the way of an educational campaign.

Mr. McDONALD. Senator, in Texas it is illegal to plant cotton in a pink bollworm regulated area. That is the statute.

Senator BANKHEAD. Was it recently passed?

Mr. McDONALD. About 2 years, I think. It is illegal to plant cotton in a pink bollworm regulated area. The only way cotton can be planted legally is by obtaining a permit from the commissioner of agriculture, who promulgates rules and regulations, control measures that are worked out jointly between the Federal quarantine people and the State department of agriculture. Now, we had a plow-up limit at which stalks may stand in the field, but we had unusual climatic conditions there in September. The clean-up date limit was the 15th of September, and along about the last days of August or the first of September we had unusual floods, sometimes as much as 12 or 14 inches, and in view of that we did give extensions, which is not running true to entomological practices. That has got to be discontinued. We have got to proceed from here on out strictly on entomological practices. Did I answer your question, Senator?

Senator RUSSELL. Yes. I was disturbed to know the pink bollworm was spreading despite the drastic measures undertaken. The old Texas law is one of the most drastic that I ever heard of in any State. Some of us who are growing cotton have been trying to get appropriations from the Government in a cooperative effort; sometimes we have had difficulties with it.

Mr. McDONALD. Senator, you know the pink bollworm and the boll weevil came from Mexico.

Senator RUSSELL. Yes; I know that. I have been to Matamoras, and I have seen how they had to cook the seed before they let it out of there.

Mr. McDONALD. They have to sterilize it; yes. We had a lot of difficulty because the pink bollworm moth does not respect boundary lines.

The CHAIRMAN. Can he fly across the river?

Mr. McDONALD. Yes. They get in the wind and go as much as 200 miles. The pink bollworm moth is a moth like a small candlefly. He gets in the trade winds and can drive, we know, as much as 200 miles. That, gentlemen, is one of the threats to the cotton grown in this country. I want to say to you the pink bollworm is 10 times as destructive to cotton as the boll weevil, and if something is not done he is going to overspread the Cotton Belt.

Senator BANKHEAD. We were lead to believe by the Department of Agriculture that with the funds provided in the last year or two

they could accomplish a great deal toward stopping its advance. I am glad Senator Russell went down there. He had not reported to me about it.

Mr. McDONALD. We have at present about 45 counties in Texas that have been infested, 45 counties in which we have the pink bollworm, 23 which have been discovered this year, so the spread is very rapid and more drastic steps are now considered. That is the reason I am so much interested in getting the incentive to plant flax down there, because practically every acre planted to flax eradicates by that much the pink bollworm, because the pink bollworm breeds and propagates only on cotton, as you know.

In getting back to insurance, if you can give us a two-price system for marketing our crops, a true-parity price making it an incentive and leaving the farmer carry the reserves at all times so he can participate in the parity price market, then you have given a crop insurance that protects practically all the essential groups, and will cost the Government nothing, and in addition to that it promotes thrift, it promotes home owning. If a person knows he can carry reserves to put on his parity-price market, he will take chances of buying a home. He will become more stable, more independent rather than a dependent farmer. Today, farmers are awfully confused. They are dependent on what Congress is going to do next for them through crop insurance and different things. That must be discontinued and something stable, something enduring must take the place of this fallacious, undependable farm program that we have had for years which has been helpful, but it is only a palliative and not a remedy.

I have a letter here from a man, a Texas boy, that I have said, many times, in my opinion, is the best friend of American farmers, a man who spends his money and his time working for agriculture. Shall I read it, or shall I give it to the reporter to put into the record?

The CHAIRMAN. Is it very long?

Mr. McDONALD. It is not long.

The CHAIRMAN. Proceed to read it.

Mr. McDONALD. This is in the form of a telegram [reading]:

Commissioner J. E. McDONALD,  
*Care Senator Elmer Thomas, Chairman, Senate Agricultural Committee,*  
*Senate Office Building, Washington, D. C.:*

In reference to your proposed plan for two-priced system on major agricultural products that is a fair or equitable parity price on that portion domestically consumed and the world price for that portion of surplus exportable. My opinion is your plan is constructive and in the right direction, because, first, it will protect the American market for our farmers; second, it will assure them an equitable price on that portion domestically consumed; third, it will leave our farmers freemen to compete in the world markets and also aid in feeding and clothing of a famished and destitute world which will be the best if not only assurance of a durable peace. Besides this, it will afford our farmers the most practical form of crop insurance to carry forward as insurance or protection for them the exportable surplus at low prices, adequate supplies, or granary which will also protect our processors, millers, labor, and people. It will prove the best if not only insurance against a run-away or worthless inflation because this will be impossible with adequate agricultural supplies.

ROBERT HARRISS.

Robert Harriss is a Texas man. May I repeat, candidly, I think he is the best friend the American farmer has today. I have known him all his life.



Thank you, Senator.

The CHAIRMAN. Thank you, Mr. McDonald.

Mr. Gordon, please come forward.

I will say I know Mr. Harriss. He happens to have many friends in my State. He is very versatile as a farmer. He raises cotton, corn, and wheat in Oklahoma, and down South he grows things that grow there, in Texas and Louisiana.

**STATEMENT OF JOHN B. GORDON, SECRETARY, BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE OILS AND FATS INDUSTRIES; AND REPRESENTING THE FLAX INSTITUTE OF THE UNITED STATES**

The CHAIRMAN. Will you give your full name, Mr. Gordon?

Mr. GORDON. John B. Gordon.

The CHAIRMAN. Where do you reside?

Mr. GORDON. In Washington, D. C.

The CHAIRMAN. What is your official position, if you have one?

Mr. GORDON. I am the secretary of the bureau of raw materials for American Vegetable Oils and Fats Industries, and I am speaking on this occasion on behalf of the Flax Institute of the United States, the headquarters of which are located at 600 Roanoke Building, Minneapolis, Minn.

The CHAIRMAN. You may proceed.

Mr. GORDON. It has been the attitude of the Flax Institute of the United States that flaxseed should be included among those crops to be insured for 1945 under the terms of H. R. 4911 if the declining tendency in the flaxseed crop is not to be accelerated due to the fact that wheat is insured. The acreage used for wheat and flaxseed planting is interchangeable between the two crops and if wheat is insured while the flaxseed crop is not, it means just one more justification in the Northwest farmer's mind for not planting flaxseed, and he has enough already.

The harvested acreage in 1943 was 5,867,000. In 1944 it was 3,079,000. It is our belief that unless drastic remedies are adopted, the harvested acreage in 1945 may be as low as 2,000,000 acres.

Entirely in reverse to the declining tendency of the flaxseed crop is the upward tendency in the need for flaxseed in order to make more linseed oil.

The flaxseed which will be planted and harvested in 1945 will be made into linseed oil in 1946. As we view it on the basis of the present outlook, we may not have enough flaxseed acreage in 1945 to produce more than one-quarter of our linseed oil requirements in 1946.

Unfortunately, we are largely dependent upon our own flaxseed-growing abilities in the United States. The Canadians have the same inclinations to cut down on flaxseed production as in the United States. In the Argentine, which is ordinarily our chief foreign source of supply, we are confronted with difficulties created by the diplomatic situation and by the further complication that the Argentineans are burning their excess flaxseed for fuel and will continue to do this until they are able to obtain normal coal and fuel oil imports.

Our estimates as to the need for linseed oil in the year 1946, which must be met from flaxseed grown in the 1945 crop year, presuppose

the end of the European war during the first half of 1945. If the European war is over by midsummer, 1945, there will be under way by the beginning of 1946 one of the greatest building booms in history. A prime requisite for new construction is paint, which requires linseed oil.

Dr. Arthur R. Upgren, vice president and economist of the Federal Reserve Bank of Minneapolis, estimates that post-war home building will proceed at the rate of 1,000,000 homes per year. Other estimates run as high as 1,500,000 new homes in the building in the first year following the removal of wartime controls.

The United States Department of Commerce has estimated that the demand for paint-manufacturing industry products may total \$838,000,000 in 1946. It has been determined that for each dollar of sales by the paint industry in the year 1940, 1.02 pounds of linseed oil was consumed. Thus, the Department's estimate indicates that 854,000,000 pounds of linseed oil may be required for new construction and maintenance, particularly that of the deferred category, by both private home owners and industrial enterprises along with the finishes required for industrial products, ranging from new agricultural implements to new boxcars.

In addition to these requirements for civilian purposes, there is the continuing requirement for linseed oil for military purposes for the Japanese phase of the war. There is the further requirement for lend-lease to our allies, which will be considerably increased if Russia becomes our ally in the war against Japan. An additional 250,000,000 pounds of linseed oil may be estimated, therefore, to be needed for military and lend-lease purposes.

This gives a total of approximately 1,100,000,000 pounds of linseed oil required for paint and varnish for civilian usage and for military and lend-lease requirements. There are other claimants for the supply, however, in the shape of linoleum and oilcloth manufacturers, core oil producers for foundries, and others. These may require an additional 200,000,000 pounds or a grand total of 1,300,000,000 pounds of linseed oil, which may be required in 1946. This would require 65,000,000 bushels of flaxseed to produce or, at the rate of 10 bushels of flaxseed per acre yield, an acreage of 6,500,000.

The minimum flaxseed acreage which we should seek to grow in the United States in 1945 is 6,000,000 acres.

In view of the hazards involved in the growing of flaxseed and the disproportionate returns as compared to other crops, we do not believe that the farmers will want to plant anywhere near that amount of flaxseed acreage without some special incentive. The providing of free crop insurance for flaxseed for the year 1945 in H. R. 4911 will help in some degree.

May we stress the fact that the encouragement of building operations is a prime essential in warding off a depression which may result from partial demobilization of our armed forces following the conclusion of the German phase of the war. Builders will hardly wish to proceed without adequate supplies of reasonably priced paint and varnish. In this connection, I request permission to place in the record an editorial from the Minneapolis Star Journal of the issue of November 16, 1944, entitled "An Alarming Shortage."

The CHAIRMAN. Without objection, permission will be granted.



(The editorial referred to is as follows:)

#### AN ALARMING SHORTAGE

In the midst of the greatest harvest in history, with corn and some other crops at the flood stage, America finds herself alarmingly short of flaxseed. The 1944 yield will run about 26,000,000 bushels, half of last year's total and way below the normal average.

Not only that. The countries from which we ordinarily import a lot of flaxseed can't help much. The Canadian crop is off. Argentine had a somewhat shorter harvest than usual last season, but what she has will not be readily available. American ships are forbidden to call at Argentine ports because political relations between our two countries are strained, neutral ships charge an exceedingly high rate, and Argentina is burning flaxseed oil for fuel, because petroleum and coal supplies are lacking.

Assuming the war with Germany ends in 1945 and a big building program gets under way, paint for the new buildings just won't be there. To make 1946 the big construction year that is visioned, flaxseed must be provided to make the linseed oil which is so important a part of paint. Tung and the other drying oils from Asia have not been on the market for some years, and probably won't be for several more.

The job is up to flaxseed.

That means a big crop in 1945. But farmers can make more money raising other things, even when the yield is good—say, 10 bushels to the acre. The war food program has stressed other grains to the exclusion of flax. Congress has refused to do any more for flax because the price is at co-called parity now. Present prices don't give the farmer nearly as large returns as corn or soybeans.

Flax is an uncertain crop. Yields this season were low and the quality poor in many places. Good seed is hard to get. It all adds up to another slim harvest in 1945 unless something is done.

What can be done? The answer seems to be up to Congress—to raise the ceiling on flaxseed and to guarantee a minimum return. The latter could be done by making soil conservation payments for legume nurse crops to be planted with flax, or by insuring each farmer for a minimum of 9 bushels or so to the acre.

Flax largely broke the prairies for this section of the country. Minnesota, the Dakotas, and Montana still produce most of the domestic crop, but the acreage has declined sharply. No longer do great areas show the beautiful blue flax flowers in early summer. Those flowers meant a large crop for the linseed-oil industry, which is centered in Minneapolis.

The Northwest has a big stake in flax and it should get busy seeing that the shortage which besets us is not extended into the postwar period when a lack of paint could have a disastrous effect on the building program which is counted upon to keep millions employed.

The CHAIRMAN. Are there any questions?

Senator RUSSELL. Mr. Gordon, I want to say if you decide to ever leave Minnesota, we would like to have you come down our way, because Mr. John B. Gordon has established a very good reputation in our State.

You are not wedded to this insurance idea, are you?

Mr. GORDON. It can be accomplished either by incentive payments or by insurance.

Senator RUSSELL. It can be accomplished either way provided you make it attractive enough?

Mr. GORDON. Yes. If this bill would be passed reasonably soon we could get an early start in selling the idea of insurance to the farmers, whereas if we had to wait for the appropriations the hearings would not begin until January.

Senator RUSSELL. If the deficiency bill came along it would probably be a law before this bill. I understand a deficiency bill is before the House.

The CHAIRMAN. You recommend 6½ million acres. That is a considerable increase over the recommendation made by the proponents of this bill.

Mr. GORDON. The position we have taken right along is we should have 6,000,000 acres of flaxseed. We believe the Government program does not call for enough seed.

The CHAIRMAN. How is the oil extracted from flaxseed by the usual process—by grinding and crushing?

Mr. GORDON. I think it is obtained by crushing.

The CHAIRMAN. How much oil do you get from a bushel of seed?

Mr. GORDON. About 19 or 20 pounds.

The CHAIRMAN. That makes the linseed oil very expensive, does it not?

Mr. GORDON. Yes; relatively speaking.

The CHAIRMAN. What is linseed oil worth now on the market?

Mr. GORDON. The price is 14½ cents a pound in Minneapolis.

The CHAIRMAN. How much is that a gallon?

Mr. GORDON. Seven and one-half pounds to the gallon.

The CHAIRMAN. Are there any further questions?

If not, we thank you, Mr. Gordon.

At this point, we would like to have inserted in the record a communication from Mr. Robert H. Shields, solicitor, Department of Agriculture, dated November 27, 1944.

(The communication referred to is as follows:)

NOVEMBER 27, 1944.

HON. ELMER THOMAS,

*Chairman, Senate Committee on Agriculture and Forestry,  
United States Senate.*

DEAR SENATOR THOMAS: At the hearing before the Senate Committee on Agriculture and Forestry today on the crop-insurance bill (H. R. 4911), you asked for the opinion of this office as to whether, should the bill be enacted into law, trial insurance could be written on any crops other than those specifically enumerated in paragraph (2), page 3, of the bill.

The provision you have in mind states:

"For the purpose of determining the most practical plan, terms, and conditions of insurance with respect to corn, dry beans, oats, barley, rye, tobacco, rice, peanuts, soybeans, sugar beets, potatoes and other vegetables, citrus and other fruits, tame hay, and any other agricultural commodity, if sufficient actuarial data are available, as determined by the Board, [the Corporation is authorized] to insure upon such terms and conditions not inconsistent with the provisions of this title as it may determine, producers of such agricultural commodities against loss due to the unavoidable causes specified in paragraph (1) of this subsection."

You will note that the enumeration of specific crops is followed by the language "and any other agricultural commodity, if sufficient actuarial data are available, as determined by the Board." It is my opinion that this language would permit a program of trial insurance on any crop (other than cotton, wheat, and flax, for which a general insurance program is authorized) if the board of directors should determine that sufficient actuarial data are available for such a trial program. The legal maxim *expressio unius est exclusio alterius* ("the expression of one thing is the exclusion of another") would not apply here because the language "and any other agricultural commodity," following the crops expressly mentioned, would show a manifest intent to include crops other than those enumerated. As the Supreme Court said in *United States v. Barnes* (222 U. S. 513, 519) "The maxim invoked expresses a rule of construction, not of substantive law, and serves only as an aid in discovering the legislative intent when that is not otherwise manifest." Furthermore, the definition of the term "agricultural commodity" appearing at the end of the bill would furnish further



proof that Congress intended to authorize trial insurance for crops other than those mentioned, as the term is defined to include, in addition to certain enumerated crops, "any other agricultural commodity determined by the Board pursuant to subsection (a) (2) of section 508 of this title."

Although, in my opinion, the language in question is clear enough not to call for the application of any of the so-called rules of construction, I should like to add that the view expressed above is not in any way in conflict with the rule of ejusden generis. Under that rule of construction, where general words follow the designation of particular things, or classes of persons or subjects, the general words will usually be construed to include only persons or things of the same class or nature as those enumerated. *United States v. Stever* (222 U. S. 167). Obviously, sugarcane, grain sorghums, or any other crop not specifically mentioned in the bill, falls within the same class of commodities as those enumerated. Therefore, the language "any other agricultural commodity" properly includes other crops such as sugarcane and grain sorghums.

Sincerely yours,

ROBERT H. SHIELDS,  
*Solicitor.*

The CHAIRMAN. Is there anyone else present who desires to be heard for a very few minutes?

If not, we will adjourn.

(Whereupon, at 11:50 a. m., the committee adjourned.)







## CROP INSURANCE

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DECEMBER 2, 1944.—Ordered to be printed

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Mr. THOMAS of Oklahoma, from the Committee on Agriculture and Forestry, submitted the following

## REPORT

[To accompany H. R. 4911]

The Committee on Agriculture and Forestry, to whom was referred the bill (H. R. 4911) to amend the Federal Crop Insurance Act, as amended, having considered the same, report thereon with the recommendation that it do pass as amended.

## GENERAL STATEMENT

The Department of Agriculture Appropriation Act, 1944, in the item which appropriated funds for administrative and operating expenses under the Federal Crop Insurance Act, approved February 16, 1938, as amended, provided, in part, that—

no part of this appropriation shall be used for or in connection with the insurance of wheat and cotton crops planted subsequent to July 31, 1943, or for any other purposes except in connection with the liquidation of insurance contracts on wheat and cotton crops planted prior to July 31, 1943.

The Department of Agriculture Appropriation Act, 1945, provided \$350,000 for continuation of liquidation. No crops have been insured since those planted for harvest in 1943.

The need or the desirability of "all risk" crop insurance for American farmers is well recognized. Even when the Congress terminated the program the need for crop insurance was not questioned. Farming is one of the most hazardous of all undertakings. Even though the farmer does everything possible to produce a crop, weather or other factors beyond his control may bring failure. There is no private source from which broad insurance protection against crop losses can be obtained. Insurance can be obtained against hail on some crops, but the farmer needs more complete protection. If the farmers are to receive this protection it must be made available by the Government. Crop insurance will help farmers as a group to carry their own burdens resulting from agricultural catastrophes and thus reduce



the need for public assistance when catastrophes occur. Thus, the Government's contributions to the establishment and operation of a crop-insurance system will be offset by the savings in contributions for relief of agricultural areas stricken by floods and other catastrophes.

Both political parties have recognized the need for crop insurance by farmers, have endorsed the principle, and have pledged themselves to the development of such a system.

This committee has held hearings on the bill (H. R. 4911) and has given careful consideration to the broad aspects of the problem as well. The modified bill recommended by the committee incorporates its views on the type of insurance program which, in the long run, will be most beneficial to farmers and to the country as a whole.

#### EXPLANATION OF AMENDMENTS TO THE BILL

Section 1 of the bill authorizes insurance on wheat, cotton, and flax. It provides that the insurance coverage shall not be greater than 75 percent of the average yield for the farm. Thus insurance on these crops would be on the basis of a percentage of the average yield, which is the basis used in prior years in insuring wheat and cotton. The committee has stricken out the proviso in the House bill which would have also restricted the insurance coverage to the investment in the crop. The committee believes that insurance limited to the investment in the crop would generally furnish inadequate protection for the farmer who has lost his crop income. Under yield insurance with one coverage a farmer who has a crop loss early in the season would have a larger net income than a farmer who suffers a crop loss late in the season because the former's investment in the crop would be less. However, the bill would permit the yield coverage to be adapted to the losses that would be sustained at the various stages of crop production.

Section 1 also provides for a trial of "all risk" insurance on other crops, including certain named crops, if the Board determines that sufficient actuarial data are available for such programs. The committee believes that crop insurance should ultimately be extended to agricultural commodities in addition to wheat, cotton, and flax. In this connection, the committee recognizes the value of trial insurance as a means of determining the most practical plan, terms, and conditions of insurance for an agricultural commodity. Indeed, this is the common practice followed by business generally. It is the view of the committee, however, that trial insurance should not be initiated on too broad a scope at first. Accordingly the bill restricts the initiation of trial insurance to corn and tobacco for 1945 and to not more than 3 additional commodities for each year thereafter. Such insurance for any commodity shall be for a period of not more than 3 years and shall be limited to not more than 20 counties selected by the Board as representative of the several areas where the agricultural commodity is normally produced. In addition to authorizing trial insurance for any commodity on the basis of a percentage of the average yield, the bill also provides that the Corporation may conduct trial insurance on the basis of a percentage of the investment in the crop.

The bill was also changed to make it certain that the Board has the authority finally to determine the unavoidable causes which are

insured against. It is believed that this change would forestall litigation which might arise over what causes were actually covered. Several clarifying and perfecting changes have also been made.

Section 2 provides for the establishment of premiums deemed adequate to cover claims for crop losses and to establish as expeditiously as possible a reasonable reserve against unforeseen losses. The committee believes this provision to be more practicable than the rigid provision in the House bill requiring the establishment of a reasonable reserve against unforeseen losses within a 3-year period. The committee believes that the provision in the bill limiting the amount of the administrative expenses of the Corporation to an amount equivalent to a percentage of the premiums of the preceding year is impractical and has recommended its deletion.

Section 3 of the bill provides for the adjustment and payment of claims for losses under rules prescribed by the Board. The proviso contained in the House bill, which would have limited the payment of claims for losses on any crop to amounts collected as premiums on that crop, except that such claims could not be reduced by more than 15 percent for the first 3 years, has been stricken. The committee believes it unwise to require those who suffer crop loss to make up the deficiency in premium income by receiving less than their full claim for loss. The cost of crop losses should be spread over all farmers that are insured by charging adequate premiums. It was not contemplated when the original act was passed that the insurance should balance out each year and consequently a capital fund was established. Furthermore, except for the first 3 years, the insured would not know how much protection he was buying. The uncertainty of the protection thus given would make the insurance less attractive to farmers and tend to reduce participation. Instead of restricting the program to fewer farmers, it should be expanded so as to obtain the benefits of widespread participation.

Section 4 of the House bill, which would repeal the provision of the present law extending protection to loss of cottonseed, has been eliminated. This was done in view of the deletion of the limitation on insurance coverage to the investment in the crop.

Two new sections have been added to the bill. Section 5 authorizes certain payments to encourage an increase in the production of the 1945 flax crop. Section 6 in effect reappropriates for the purpose of administering the insurance programs authorized by the bill certain funds heretofore appropriated to the Federal Crop Insurance Corporation for similar purposes.

Section 6 makes immediately available for carrying out the crop-insurance programs authorized in the bill not in excess of \$3,000,000 from the unobligated balances of certain funds heretofore appropriated for carrying out the provisions of the Federal Crop Insurance Act. It is necessary that these funds be immediately available to the Corporation in order that it may be able to proceed with its authorized programs without delay.

Section 5 of the bill authorizes an appropriation of \$20,000,000 to the War Food Administrator to make payments to producers to encourage an increased production of flax for 1945. This money is authorized to be appropriated subject to the pertinent provisions of law applicable to the funds appropriated for the purposes of carrying out sections 7 to 17 of the Soil Conservation and Domestic Allotment



Act, as amended. The payments to producers may be made in such amounts, at such times, and in such manner as determined by the War Food Administrator, including the requirement that producers meet established farm-flax-acreage goals. In order that the payments may be effective in securing increased flax production for 1945, it is necessary for the War Food Administrator to make commitments to flax farmers without delay. Accordingly, the law authorizes the Administrator to make such commitments in advance of the actual appropriation of the funds authorized.

The 1944 flax acreage was substantially below the 1944 acreage goal established by the War Food Administrator. Unless flax production is increased substantially in 1945, the American people face a serious shortage in linseed oil for immediate and post-war needs. The War Food Administrator has established a 1945 goal for this crop of 5,000,000 acres. It is believed that the \$20,000,000 herein authorized to be appropriated will furnish the additional encouragement needed to attain this acreage goal.

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[H. Rept. No. 1592, 78th Cong., 2d sess.]

The Committee on Agriculture, to whom was referred the bill (H. R. 4911) to amend the Federal Crop Insurance Act, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### PRESENT STATUS OF CROP INSURANCE

The Department of Agriculture Appropriation Act, 1944, in the item which appropriated funds for administrative and operating expenses under the Federal Crop Insurance Act, approved February 16, 1938, as amended, provided that "no part of this appropriation shall be used for or in connection with the insurance of wheat and cotton crops planted subsequent to July 31, 1943, or for any other purposes except in connection with the liquidation of insurance contracts on wheat and cotton crops planted prior to July 31, 1943." As a consequence, no crops produced for harvest in 1944 are insured.

#### NEED FOR CROP INSURANCE PROGRAM

In the discussion of the Agricultural Appropriation Act for 1944 on the floor of the House, it was apparent that the substantial losses suffered by the Federal Crop Insurance Corporation was the reason for discontinuing the program. The need or the desirability of crop insurance for American farmers was not then nor has not since been questioned. If farmers are to receive this protection, it must be made available by the Government as it is not available from other insurance sources.

Crop insurance protection gives farmers a more stable income and makes farming a more sound and profitable occupation. Moreover, it helps farmers as a group to carry their own relief burdens resulting from agricultural catastrophes and thus reduces the burden of heavy public relief when catastrophes occur. The committee feels that the benefits from a widely used and sound system of crop insurance are so great that the unsatisfactory experiences of a short development period should not be a basis for the discontinuance of the program. In view of the widespread public benefits and the long-time importance of this program, the committee has given careful consideration to this problem and to the numerous bills which have been introduced to continue the program.

In its consideration of the various bills proposing amendments to the Federal Crop Insurance Act, the committee conducted extensive hearings and appointed a subcommittee to study the matter and draft the necessary legislation to put crop insurance on a sound financial basis. H. R. 4426 was then prepared and introduced by the chairman and considered by the full committee. In reply to a request for a report on this bill, the War Food Administrator submitted the following report:

APRIL 18, 1944.

HON. HAMPTON P. FULMER,  
*Chairman, Committee on Agriculture,  
House of Representatives.*

DEAR MR. FULMER: This is in reply to your letter of March 21, 1944, asking for a report on H. R. 4426, a bill to amend the Federal Crop Insurance Act.

This bill provides for insurance on wheat and cotton crops commencing with the 1945 crop and for insurance on field corn in the commercial corn-producing area, tobacco, and rice commencing with the 1946 crop. It provides that the insurance of wheat shall continue to be based upon a percentage of the average yield with a provision, however, that the coverage shall be reduced to the extent that abandonment or other use of the insured acreage results in a savings in cost to the producer. Insurance on the commodities other than wheat would be against loss of the investment in the crop. The coverage would not exceed 75 percent of the investment, including an amount for the use of the land. The bill provides that if the premiums on any commodity in any county exceed indemnities in any year, one-half of the excess would be carried as a county balance and that in any year when the total of the premiums plus such balance is less than the approved claims for loss, the claims would be paid on a pro rata reduced basis, but in no event would the payment be reduced by more than 15 percent of the approved claim as a result of proration. Insurance would not be provided in any county unless written applications were filed covering at least 100 farms or one-third of the farms normally producing crops eligible for insurance.

We recommend that insurance for corn, tobacco, and rice not be included in present legislation so that the new features of this bill can be given an opportunity to be tried out first on the two crops formerly insured until such time as their effectiveness has been demonstrated. We also recommend that the insurance for cotton be based on a percentage (not more than 75 percent) of the average yield with a limitation that the coverage shall not exceed the investment in the crop as defined in this bill.

I have, as you know, recently expressed to you my belief that crop insurance is essential to a well-balanced agricultural program. Farmers should have some source from which they can purchase protection against crop losses over which they have no control. The need for crop insurance is well recognized and its security value to farmers has been demonstrated. The restoration of crop insurance would stabilize and implement production by enabling farmers who suffer a crop loss to continue in production. The provisions of this bill and the modifications we have suggested are restrictive and designed to place the crop-insurance program on a sounder financial basis. Although the protection to farmers provided thereby would not be as great as under the present act, it would, in my judgment, afford substantial protection to them and at the same time would overcome many of the objections to the original program by placing the insurance on a more conservative basis.

Subject to the modifications suggested above, we favor the enactment of H. R. 4426.

The Bureau of the Budget advises that it has "no objection to the enactment of the above-mentioned bill if amended to exclude insurance on corn, rice, and tobacco crops."

Sincerely,

MARVIN JONES, *Administrator.*

The committee gave further consideration to the recommendations of the War Food Administrator and to the proposals of others, and the chairman introduced a new bill representing the views of the committee upon all of the recommendations made to it. It is this new bill, H. R. 4911, which is herewith reported.

#### THE CROP INSURANCE RECORD

Wheat has been insured for 5 years and cotton for 2 years. During that time approximately 2,100,000 wheat and cotton farmers have been insured. This represented insurance on about 56,000,000 acres of crops with a guaranteed income of about \$586,000,000. Indemnities for loss of crops were paid to about 588,000 farmers representing a total of about \$80,000,000. This money was paid to farmers, not in addition to their normal income, but as a substitute for the income they had lost as a result of crop failures. Out of the \$80,000,000 paid, farmers themselves contributed \$52,000,000 as premiums. Thus, the Corporation has experienced considerable losses but the committee recognizes that



progress has been made in this relatively untried field and believes that with certain desirable changes the Corporation will be able to operate the program over a period of years without loss.

#### PROBLEMS ENCOUNTERED IN CROP INSURANCE

The committee has studied the program in an effort to determine why losses have been incurred and to determine what changes might be desirable to improve the situation. A large part of the loss was sustained as a result of selectivity in insurance. Soil moisture conditions at the time of seeding and even some months in advance have such an important bearing on the prospects for a wheat crop that farmers have often insured when soil moisture was depleted and carried their own risks when moisture was plentiful. The only solution to this problem is a long-term contract. The original act prohibited the use of a term contract during the first 3 years of operation. It has been estimated that had the term contract been in effect during the first 4 years of the wheat insurance program, it would have saved the Corporation approximately 5½ million bushels or reduced the deficit by approximately one-fourth.

The committee has also given consideration to the adequacy of the premium rates charged by the Corporation. It is realized that the solution to the problem of continued losses cannot be found in merely increasing premium rates. Excessive premium rates would tend to discourage participation by those farmers who are the best insurance risks. Apparently, however, the premium rates have been inadequate in some areas. In order to correct this situation, the Corporation had increased its premium rates to such an extent that the general average in 1943 was 11 percent above that in the early years. If these rates had been in effect for the first 4 years, there would have been a saving of about 5½ million bushels or about one-fourth of the deficit during that period. There will undoubtedly be further increases needed in some areas.

The committee feels that the insurance coverage has been too high where the crop has not been carried through to harvest, thus providing an opportunity for the insured to receive an indemnity greater than the financial loss he has suffered. The payment of the full indemnity in such cases encourages requests for permission to abandon a poor crop which ordinarily would be carried to completion, possibly with good results. A sound insurance plan should encourage the insured to obtain his income from his crop rather than from his insurance contract. The committee feels, therefore, that the insurance coverage should be limited so as to accomplish this result.

To meet these problems and to place the program on a sound financial basis, it appears that a general tightening of the existing legislation is necessary. The bill reported herewith represents the judgment of the committee as to how this should be accomplished.

#### PROVISIONS OF THE BILL

Section 1 of the bill authorizes insurance on wheat, cotton, and flax. It provides that the insurance coverage shall not be greater than 75 percent of the average yield for the insured farm but with the restriction that the coverage shall also not be greater than the investment in the crop. This would be a more conservative type of insurance under which the insured would find it less advantageous to abandon the crop and collect the indemnity than under the former plan. This bill would retain the advantages of the original plan of insurance based on the average yield, but would not permit the insured to make a profit on his insurance. Since the investment may be less than 50 percent of the average yield for the farm, the minimum of 50 percent in the existing law has been removed.

To reduce administrative expenses, a minimum participation requirement has been included. It requires that insurance will not be provided in any county unless written applications are filed covering at least 100 farms, or if not 100 farms, covering at least one-third of the farms normally producing the agricultural commodities authorized to be insured, except that insurance may be provided for producers on farms situated in a local producing area bordering on a county with a crop-insurance program. This would provide an insurance program in counties where there is a demand for insurance and would save the cost of operation in other counties. This provision would also induce farmers who are interested in insurance to help get the required number of applications in the county.

A provision has been included which clarifies the Corporation's authority to limit or refuse insurance in any county or area or on any farm on the basis of the insurance risk involved. Under circumstances where a loss is imminent or it is

impossible to determine the risk or where insurance experience has been so unfavorable as to preclude the possibility of a sound insurance program, the Corporation would be authorized to refuse insurance.

Section 1 also provides for trial insurance on other crops. This has been included because of numerous requests for an insurance program on additional crops. The committee feels that while it is attempting to place the program for wheat, cotton, and flax on a sound financial basis, it should also provide for trial insurance on other crops in limited representative counties. In this manner the Congress will be able to determine whether insurance on other crops is feasible without the expenditure of a large amount of money. The bill, therefore, provides that the Corporation be authorized to provide insurance with respect to corn, tobacco, rice, peanuts, soybeans, sugar beets, citrus fruits, tame hay, and any other agricultural commodity, if actuarial data are determined to be available, in not to exceed 20 representative counties for each commodity for a period of not more than 3 years. Under this provision the Corporation would try out insurance with respect to each commodity in counties representative of the various areas producing the commodity. While insurance is authorized in not more than 20 counties for each commodity, it is not contemplated that insurance will be provided in a greater number of counties than is required to furnish a satisfactory test of the insurance or with respect to any crop unless actuarial data are available to the extent required for a satisfactory trial program. At the end of the trial period, the Corporation would report the result of its operations to the Congress.

Section 2 provides for the establishment of premiums deemed adequate to cover claims for crop losses and to establish within a 3-year period a reasonable reserve against unforeseen losses. Thus, the Corporation would establish premium rates sufficient to build reserves in good crop years to offset heavy or unforeseen losses in bad crop years.

Section 3 of the bill provides that if the total amount of approved claims on any agricultural commodity for any year exceeds the total amount of premiums collected plus the accumulated premium reserves with respect to such commodity, such claims shall be paid on a pro rata reduced basis. An unrestricted proration provision might discourage participation until it is shown that the changes required by this bill would not result in substantially reduced insurance protection. Consequently, it was thought that during the first 3 years this provision is in effect the reduction should not exceed 15 percent. The committee feels that any accumulation of reserves under this bill should be used only for the payment of future indemnities. A provision has also been included which directs the posting of a list of indemnities for losses on farms in each county. In connection with the proration provisions, it is only fair that all farmers in the county should be informed as to the amount paid to other farmers.

Section 4 of the bill eliminates the provision of existing law authorizing additional indemnity in return for additional premium to cover the loss of cottonseed. This has been eliminated because, if the insurance is limited to the investment in the crop, the payment of an additional indemnity for loss of cottonseed would enable the insured to obtain more than his investment in the crop, thus making a profit on his insurance.

Section 5 redefines "agricultural commodity" consistent with the provisions of this bill.

#### CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Federal Crop Insurance Act, as amended:

SEC. 508. To carry out the purposes of this title the Corporation is authorized and empowered—

[(a) Commencing with the wheat crop planted for harvest in 1939 and with the cotton crop planted for harvest in 1942] (a) (1) *Commencing with the wheat, cotton, and flax crops planted for harvest in 1945*, to insure, upon such terms and conditions not inconsistent with the provisions of this title as it may determine, producers of [the agricultural commodity] *wheat, cotton, and flax* against loss in yield[s] of the agricultural commodity due to unavoidable causes, including drought, flood, hail, wind, winterkill, lightning, tornado, insect infestation, plant



disease, and such other unavoidable causes as may be determined by the Board **¶**: *Provided, however,* That for the first three years of operation under this title contracts of insurance shall not be made for periods longer than one year: *Provided further,* That the Corporation may, upon such terms and conditions as it shall determine, accept payments from producers in any year to be applied toward premiums on their insurance contracts for the current and next succeeding year. **¶**

*Such insurance shall cover a percentage to be determined by the Board not in excess of 75 per centum of the recorded or appraised average yield of such commodities on the insured farm for a representative period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just: Provided, however, That such insurance coverage shall not exceed the investment in the crop based on the cost, as determined by the Board, of preparing the land, of labor, seed, planting, cultivation, disease or insect control, harvesting, ginning, hauling to market, fertilizer, irrigation, use of the land, and other applicable costs as determined by the Board. Such insurance shall not cover losses due to the neglect or malfeasance of the producer or to the failure of the producer to reseed to the same crop in areas and under circumstances where it is customary to so reseed ¶.* Such insurance shall cover not less than 50 or more than 75 per centum, to be determined by the Board, of the recorded or appraised average yield of the agricultural commodity on the insured farm for a representative base period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just. The Board may condition the issuance of such insurance in any county or area upon a minimum amount of participation in a program of crop insurance formulated pursuant to this title. **¶**, or to the failure of the producer to follow established good farming practices. Insurance shall not be provided in any county unless written applications therefor are filed covering at least one hundred farms or one-third of the farms normally producing the agricultural commodities authorized to be insured, except that insurance may be provided for producers on farms situated in a local producing area bordering on a county with a crop-insurance program. The Board may limit insurance in any county or area, or on any farm, on the basis of the insurance risk involved.

(a) (2) *For the purpose of determining the most practical plan, terms, and conditions of insurance with respect to corn, tobacco, rice, peanuts, soybeans, sugar beets, citrus fruits, tame hay, and any other agricultural commodity, if sufficient actuarial data are available, as determined by the Board, to insure upon such terms and conditions not inconsistent with the provisions of this title as it may determine, producers of such agricultural commodities against loss due to the unavoidable causes specified in paragraph (1) of this subsection. Insurance provided for any agricultural commodity under this paragraph shall be limited to producers in not to exceed twenty representative counties selected by the Board for a period of not more than three years, and shall be subject to the limitations and conditions provided in paragraph (1) of this subsection: Provided, however, That such insurance coverage may be the same as the insurance coverage provided in paragraph (1) of this subsection or may cover a percentage not in excess of 75 per centum of the investment in the crop, determined in accordance with the provisions of paragraph (1) of this subsection. The Corporation shall report to the Congress the results of its operations as to each commodity under this paragraph.*

(b) *To fix adequate premiums for [such] insurance ¶, payable either in the agricultural commodity or cash equivalent as of the due date thereof, on the basis of the recorded or appraised average crop loss of the agricultural commodity on the insured farm for a representative base period subject to such adjustments as the Board may prescribe to the end that the premiums fixed for farms in the same area, which are subject to the same conditions, may be fair and just. Such premiums shall be collected at such time or times, in such manner, and upon such security as the Board may determine. ¶ in the agricultural commodity or in cash, at such rates as the Board deems sufficient to cover claims for crop losses on such insurance and to establish within a period of three years a reasonable reserve against unforeseen losses. Such premiums shall be collected at such time or times, or shall be secured in such manner, as the Board may determine.*

(c) *To adjust and pay claims for losses [either] in the agricultural commodity or in cash [equivalent] under rules prescribed by the Board. ¶ : Provided, however, That if the total amount of approved claims for losses on any agricultural commodity for any year exceeds the total amount of premiums collected plus the accumulated premium reserves of the Corporation with respect to such commodity, such claims shall be paid on a pro rata reduced basis but for the first three crop years with respect*

to which insurance has been in effect on any crop after the enactment of this Act the payment shall not be reduced by more than 15 per centum of the amount of the approved claim. The Corporation shall provide for the posting annually in each county at the county courthouse of a list of indemnities paid for losses on farms in such county. In the event that any claim for indemnity under the provisions of this title is denied by the Corporation, an action on such claim may be brought against the Corporation in the United States district court [of the United States in and for the district], or in any court of record of the State having general jurisdiction, sitting in the district or county in which the insured farm is located, and [exclusive] jurisdiction is hereby conferred upon such district courts to determine such controversies without regard to the amount in controversy: *Provided*, That no suit on such claim shall be allowed under this section unless the same shall have been brought within one year after the date when notice of denial of the claim is mailed to and received by the claimant.

[(c) In connection with insurance upon yields of cotton, to include provision for additional premium and indemnity in terms of lint cotton to cover loss of cottonseed, such additional premium and indemnity to be determined on the basis of the average relationship between returns from cottonseed and returns from lint cotton for the same period of years as that used for computing yields and premium rates.]

SEC. 518. "Agricultural commodity," as used in this [Act, means wheat or cotton, or both.] title, means wheat, cotton, flax, corn, tobacco, rice, peanuts, soybeans, sugar beets, citrus fruits, tame hay, or any other agricultural commodity determined by the Board pursuant to subsection (a) (2) of section 508 of this title, or any one or more of such commodities, as the context may indicate.







Calendar No. 1317

78TH CONGRESS  
2D SESSION

# H. R. 4911

[Report No. 1298]

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## IN THE SENATE OF THE UNITED STATES

NOVEMBER 24 (legislative day, NOVEMBER 21), 1944

Read twice and referred to the Committee on Agriculture and Forestry

DECEMBER 2, 1944

Reported, under authority of the order of the Senate of December 1 (legislative day, November 21), 1944, by Mr. THOMAS of Oklahoma, with amendments

[Omit the part struck through and insert the part printed in italic]

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## AN ACT

To amend the Federal Crop Insurance Act.

1      *Be it enacted by the Senate and House of Representa-*  
2      *tives of the United States of America in Congress assembled,*  
3      That subsection (a) of section 508 of the Federal Crop  
4      Insurance Act, as amended, is amended to read as follows:  
5      “(a) (1) Commencing with the wheat, cotton, and  
6      flax crops planted for harvest in 1945, to insure, upon such  
7      terms and conditions not inconsistent with the provisions  
8      of this title as it may determine, producers of wheat, cot-  
9      ton, and flax against loss in ~~yield of such growing, unhar-~~  
10   ~~vested, unthrashed, or unpicked crops~~ *yields* due to unavoid-



1 able causes, including drought, flood, hail, wind, frost,  
2 winter-kill, lightning, fire, excessive rain, snow, wildlife,  
3 hurricane, tornado, insect infestation, plant disease, *and such*  
4 *other unavoidable causes as may be determined by the Board.*  
5 Such insurance shall cover a percentage to be determined  
6 by the Board not in excess of 75 per centum of the recorded  
7 or appraised average yield of such commodities on the  
8 insured farm for a representative period subject to such  
9 adjustments as the Board may prescribe to the end that  
10 the average yields fixed for farms in the same area, which  
11 are subject to the same conditions, may be fair and just: ~~Pro-~~  
12 ~~vided, however,~~ That such insurantee coverage shall not  
13 exceed the investment in the crop based on the cost, as  
14 determined by the Board, of preparing the land, of labor,  
15 seed, planting, cultivation, disease or insect control, harvest-  
16 ing, ginning, hauling to market, fertilizer, irrigation, use of  
17 the land, and other applicable costs as determined by the  
18 Board. Such insurance shall not cover losses due to the  
19 neglect or malfeasance of the producer, or to the failure of  
20 the producer to reseed to the same crop in areas and under  
21 circumstances where it is customary to so reseed, or to the  
22 failure of the producer to follow established good farming  
23 practices. Insurance shall not be provided in any county  
24 unless written applications therefor are filed covering at  
25 least fifty farms or one-third of the farms normally pro-

1   ducing the agricultural commodities authorized to be insured,  
 2   except that insurance may be provided for producers on  
 3   farms situated in a local producing area bordering on a  
 4   county with a crop-insurance program. The Board may  
 5   limit insurance in any county or area, or on any farm, on  
 6   the basis of the insurance risk involved.

7       “(2) For the purpose of determining the most practical  
 8   plan, terms, and conditions of insurance with respect to  
 9   corn, dry beans, oats, barley, rye, tobacco, rice, peanuts,  
 10   soybeans, sugar beets, *sugarcane*, potatoes and other vege-  
 11   tables, citrus and other fruits, tame hay, and any other  
 12   agricultural commodity, if sufficient actuarial data are avail-  
 13   able, as determined by the Board, to insure upon such terms  
 14   and conditions not inconsistent with the provisions of this  
 15   title as it may determine, producers of such agricultural com-  
 16   modities against loss due to the unavoidable causes ~~specified~~  
 17   *covered* in paragraph (1) of this subsection: *Provided, That*  
 18   *such insurance shall be limited in 1945 to corn and tobacco*  
 19   *and to not more than three additional crops for each year*  
 20   *thereafter.* Insurance provided for any agricultural com-  
 21   modity under this paragraph shall be limited to producers  
 22   ~~in not to exceed twenty representative counties selected by~~  
 23   the Board for a period of not more than three years, and shall  
 24   be subject to the limitations and conditions provided in par-  
 25   agraph ~~(1)~~ of this subsection: *Provided, however, That such*



1 insurance coverage may be the same as the insurance cover-  
2 age provided in paragraph ~~(1)~~ of this subsection or may  
3 cover a percentage not in excess of 75 per centum of the  
4 investment in the crop, determined in accordance with the  
5 provisions of paragraph ~~(1)~~ of this subsection. *shall be*  
6 *subject to the limitations and conditions provided in para-*  
7 *graph (1) of this subsection, shall be for a period of not*  
8 *more than three years, and shall be limited to producers in*  
9 *not to exceed twenty counties selected by the Board as rep-*  
10 *resentative of the several areas where the agricultural com-*  
11 *modity is normally produced: Provided, however, That such*  
12 *insurance may cover a percentage not in excess of 75 per*  
13 *centum of the investment in the crop, as determined by the*  
14 *Board. The Corporation shall report annually to the Con-*  
15 *gress the results of its operations as to each commodity under*  
16 *this paragraph."*

17 SEC. 2. That subsection (b) of section 508 of the Fed-  
18 eral Crop Insurance Act, as amended, is amended to read as  
19 follows:

20 " (b) To fix adequate premiums for insurance in the  
21 agricultural commodity or in cash, at such rates as the Board  
22 deems sufficient to cover claims for crop losses on such  
23 insurance and to establish ~~within~~ a period of three years as  
24 *expeditiously as possible* a reasonable reserve against unfore-  
25 seen losses. Such premiums shall be collected at such time

1 or times, or shall be secured in such manner, as the Board  
2 may determine: ~~Provided, That, after the crop year of 1945,~~  
3 ~~not more than a sum equivalent to 25 per centum of the pre-~~  
4 ~~miums collected in the preceding year (beginning calculation~~  
5 ~~of premiums collected in the crop year of 1945)~~ shall be used  
6 for administrative expenses in any current operating year."

7 SEC. 3. That subsection (c) of section 508 of the Fed-  
8 eral Crop Insurance Act, as amended, is amended to read  
9 as follows:

10 " (c) To adjust and pay claims for losses in the agricul-  
11 tural commodity or in cash, under rules prescribed by the  
12 Board: ~~Provided, however, That if the total amount of ap-~~  
13 ~~proved claims for losses on any agricultural commodity for~~  
14 ~~any year exceeds the total amount of premiums collected plus~~  
15 ~~the accumulated premium reserves of the Corporation with~~  
16 ~~respect to such commodity, such claims shall be paid on a pro~~  
17 ~~rata reduced basis, but for the first three crop years with re-~~  
18 ~~spect to which insurance has been in effect on any crop after~~  
19 ~~the enactment of this Act the payment shall not be reduced~~  
20 ~~by more than 15 per centum of the amount of the approved~~  
21 ~~claim.~~ The Corporation shall provide for the posting an-  
22 nually in each county at the county courthouse of a list of  
23 indemnities paid for losses on farms in such county. In the  
24 event that any claim for indemnity under the provisions of  
25 this title is denied by the Corporation, an action on such



1 claim may be brought against the Corporation in the United  
2 States district court, or in any court of record of the State  
3 having general jurisdiction, sitting in the district or county  
4 in which the insured farm is located, and jurisdiction is here-  
5 by conferred upon such district courts to determine such  
6 controversies without regard to the amount in controversy:  
7 *Provided*, That no suit on such claim shall be allowed under  
8 this section unless the same shall have been brought within  
9 one year after the date when notice of denial of the claim  
10 is mailed to and received by the claimant.”

11 ~~SEC. 4. That subsection (c) of section 508 of the Fed-~~  
12 ~~eral Crop Insurance Act, as amended, is hereby repealed.~~

13 SEC. 5 4. That section 518 of the Federal Crop Insur-  
14 ance Act, as amended, is amended to read as follows:

15 “SEC. 518. ‘Agricultural commodity’, as used in this  
16 title, means wheat, cotton, flax, corn, dry beans, oats, barley,  
17 rye, tobacco, rice, peanuts, soybeans, sugar beets, *sugarcane*,  
18 potatoes and other vegetables, citrus and other fruits, tame  
19 hay, or any other agricultural commodity determined by the  
20 Board pursuant to subsection (a) (2) of section 508 of  
21 this title, or any one or more of such commodities, as the  
22 context may indicate.”

23 SEC. 5. *Notwithstanding the provisions of the item en-*  
24 *titled “Conservation and use of agricultural land resources”,*

1 contained in the Department of Agriculture Appropriation  
2 Act, 1945, there is hereby authorized to be appropriated to the  
3 War Food Administrator an additional amount not exceed-  
4 ing \$20,000,000 for making payments, subject to the ap-  
5 plicable provisions of the Soil Conservation and Domestic  
6 Allotment Act, as amended, to producers to encourage an  
7 increased production of flax for the crop year 1945 and the  
8 Administrator is authorized to make commitments to the  
9 producers of such commodity accordingly in advance of the  
10 appropriation of the funds herein authorized.

11       SEC. 6. For the administration of the Federal Crop  
12 Insurance Act, as amended, including amendments made by  
13 this Act, there is hereby made immediately available for the  
14 remainder of the fiscal year ending June 30, 1945, as an  
15 additional amount, not in excess of \$3,000,000 of the un-  
16 obligated balances of the funds appropriated for carrying  
17 out the provisions of the Federal Crop Insurance Act for the  
18 fiscal years 1943 and 1944, and such amount thereof as may  
19 be required shall be available for deposit to the general fund  
20 of the Treasury for the cost of penalty mail incident to the  
21 crop insurance program as required by section 2 of the Act  
22 of June 28, 1944 (Public Law 364, Seventy-eighth Con-  
23 gress). The provisos in the items entitled "Federal Crop  
24 Insurance Act" contained in the Department of Agriculture



- 1 *Appropriation Act, 1944, and the Department of Agricul-*  
 2 *ture Appropriation Act, 1945, are hereby repealed.*

Passed the House of Representatives November 22, 1944.

Attest:

SOUTH TRIMBLE,

*Clerk.*

Calendar No. 1317

78TH CONGRESS  
2D SESSION

**H. R. 4911**

[Report No. 1298]

## **AN ACT**

To amend the Federal Crop Insurance Act.

NOVEMBER 24 (legislative day, NOVEMBER 21), 1944

Read twice and referred to the Committee on  
Agriculture and Forestry

DECEMBER 2, 1944

Reported with amendments







# H. R. 4911

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IN THE SENATE OF THE UNITED STATES

DECEMBER 12 (legislative day, NOVEMBER 21), 1944

Ordered to lie on the table and to be printed

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## AMENDMENT

Intended to be proposed by Mr. MAYBANK to the bill (H. R. 4911) to amend the Federal Crop Insurance Act, viz: At the proper place in the bill insert the following:

1        SEC.    . The first sentence of the twelfth paragraph of  
2 section 19 of the Federal Reserve Act, as amended (relating  
3 to the payment of interest by member banks on demand  
4 deposits), is amended by inserting before the period at the  
5 end thereof a colon and the following: "*Provided further,*  
6 That this paragraph shall not be deemed to prohibit the ab-  
7 sorption of exchange or collection charges by member banks".



78<sup>TH</sup> CONGRESS  
2<sup>D</sup> Session

# H. R. 4911

## AMENDMENT

Intended to be proposed by Mr. MAYBANK to  
the bill (H. R. 4911) to amend the Federal  
Crop Insurance Act.

DECEMBER 12 (legislative day, NOVEMBER 21), 1944  
Ordered to lie on the table and to be printed

terest of shellfish production and navigation.

Inland waterway from Norfolk, Va., to Beaufort, N. C., with a view to providing a side channel 12 feet deep through Pasquotank River and Albemarle Sound to Elizabeth City.

Channel from the Thoroughfare to Albermarle Sound, N. C., either by way of lower Cashie River, Middle River, and Bachelors Bay, or by way of any other route.

Purvlance Creek, New Hanover County, N. C.

Little Pee Dee River, S. C., from junction of the Lumber River to the Great Pee Dee River, with a view to removing logs, debris, and other obstructions.

Santee-Congaree Buckingham Landing Site, S. C.

Jefferys Creek, Florence County, S. C.

Murrells Inlet, S. C.

Cooper River, S. C., from Charleston Harbor to the Pinopolis power plant.

North River, Ga.

St. Marys River, Ga. and Fla.

St. Johns River, Fla., Palatka to Lake Harney.

Intracoastal Waterway from Jacksonville to Miami, Fla., with a view to providing an auxiliary side channel from the Intracoastal Waterway near Titusville through and easterly of Merritt Island via Banana Creek and River, to or near Eau Gallie, Fla.

Side channels, or spur channels, leading from the Intracoastal Waterway from Jacksonville to Miami, Fla., to and turning basins or harbors at the various communities on or near the banks of said waterway, having particular reference to providing such improvements to and at Titusville, Flagler Beach, New Smyrna, Fort Pierce, and to the Light-house Service Depot at Taylor Creek, adjacent to Fort Pierce Harbor.

St. Augustine Harbor and vicinity, Florida.

Kissimmee River, Fla.

Jupiter Inlet, Fla.

Oklawaha River, Fla., from Lake Apopka through Lake Dora to Lake Eustis and adjoining waterways.

Oklawaha River, Fla., from Lake Eustis to Lake Griffin, and thence from Lake Griffin to Silver Springs Run.

Oklawaha River and its tributaries, Florida, with a view to improvement in the interest of navigation, flood control, and related purposes.

For a system of interlocking open-river and canalized channels having a depth of 12 feet, and of suitable width, to be constructed through rivers and lakes, and by land cuts, as follows: From Palatka, Fla., to the Indian River at Sebastian, Melbourne, Eau Gallie, Cocoa, or such other locality as may be found most suitable; from Titusville westerly to the St. Johns River, thence to Lake Tohopekaliga; from Lake Tohopekaliga to Leesburg, on Lake Harris; from Lake Harris to the St. Johns River near Dexter Lake or alternately from Lake Harris to the Wekiwa River, thence to the St. Johns River; and from Lake Tohopekaliga via the Kissimmee River and Lake Okeechobee to a connection with the Okeechobee Cross-Florida Channel; all with a view to improvement in the interest of navigation, flood control, and water conservation.

Orange Lake Basin, Fla.

Wakasassa River and its tributaries, Florida, with a view to improvement in the interest of navigation, flood control, and related purposes.

Channel and harbor at Everglades, Collier County, Fla.

Bakers Haulover Inlet, Fla.

Waterway from packing house and railroad terminal at Belle Glade, Fla., to Lake Okeechobee and to the Intracoastal Waterway through the Hillsboro and West Palm Beach Canals.

Peace River, Fla.

Channel to Pahokee, on Lake Okeechobee, Fla.

Lake Okeechobee and its tributary streams, Florida, with a view to removing the water-hyacinth.

Fisheating Creek, Fla.

Channel from bridge at Bradenton, Fla., to deep water in Gulf of Mexico (Tampa Bay).

Channel from Tampa Bay to Safety Harbor, Fla.

Channel from Old Tampa Bay to Oldsmar, Fla.

Channel leading from Tampa Bay Channel directly north to the vicinity of Maximo Point near St. Petersburg, Fla.

Channel leading from Tampa Bay Channel directly north to the vicinity of Mullet Key and with a view to providing a protected harbor and turning basin.

St. Petersburg Harbor, Fla., to provide for a channel up to the depth of 30 feet from the main Tampa Bay ship channel past the port of St. Petersburg in front of the recreation pier.

Hillsboro Inlet, Fla., in the vicinity of Pompano.

Channels through Big Pass and Little Pass, from Clearwater Bay, Fla., to deep water in the Gulf of Mexico.

Sarasota Bay, Fla.: Channel from Caseys Pass (Venice Inlet), through Dona Bay to the bridge on the United States Highway No. 41, including a turning basin at the eastern terminus of the channel.

Hudson River, Fla.

Suwannee River, Ga. and Fla., with a view to improvement in the interest of navigation and flood control.

Channel from the deep water in St. Joseph Sound to, and turning basin at, Ozona, Fla.

Chassahowitska River, Fla.

Crystal River, Fla.

Channel, turning basin, and improvements at Horseshoe, Dixie County, Fla.

Sante Fe River, from bridge on Federal Highway No. 41, near High Springs, to the Suwannee River, and from this bridge upstream to Camp Blanding, Kingsley Lake, Fla.

Waterways from Camp Blanding, Kingsley Lake, Fla., via Black Creek to St. Johns River, and (or) via Black Creek and Doctors Inlet to St. Johns River.

Canal from St. Marks to Tallahassee, Fla.

Chipola River, Ala. and Fla., with a view to its improvement in the interest of navigation, flood control, power, and other related purposes.

Waterway from the Intracoastal Waterway south across Santa Rosa Island, Fla., to a point at or near Deer Point Light.

La Grange Bayou, Fla.

St. Josephs Bay, Fla.

Aucilla River, Fla.

East Pass from the Gulf of Mexico into Choctawhatchee Bay, Fla.

Bayou Texar, Fla.

Pensacola Harbor, Fla.

Entrance to Perdido Bay, Ala. and Fla., from the Gulf of Mexico to deep water in Perdido Bay, via the most practicable route.

Columbus, Ga., to Pensacola, Fla.; waterway via Chattahoochee, Conecuh, and Escambia Rivers.

Waterway from the Escambia River to the Alabama River, Fla. and Ala.

Tombigbee River, Ala. and Miss., and canal connecting the Tombigbee and Tennessee Rivers.

Tennessee, Tombigbee, and Mobile Rivers, with a view to securing a through waterway of 12 feet depth and suitable width between the Ohio River and the Gulf of Mexico.

Fly Creek, Fairhope, Ala.

Channel 40 feet deep, to serve as a deep-water outlet to the Gulf of Mexico from the harbors of Mobile, Ala., and Pascagoula, Blount, and Gulfport, Miss.

Pearl River, in the interest of flood control in Pearl River, Marion and Lawrence Counties, Miss.

Pearl River, in the interest of flood control in Hinds County, Miss.

Grand Bayou Pass, La., from the Gulf of Mexico to Buras and Empire.

Bayou Schofield, La., from the Gulf of Mexico to Buras and Empire.

Ship canal to extend from the Mississippi River at a point at or near the city of New Orleans, La., to the Gulf of Mexico, by way of the best available route or routes.

Barge channel in vicinity of Baton Rouge, La., extending from the Mississippi River through Devils Swamp or along its eastern edge.

Grand Bayou, connecting Bayou Boeuf and Bayou Chevreuil, La.

Barataria Bay and connecting channels, Louisiana, to provide a continuous waterway from the Gulf of Mexico to the Intracoastal Waterway.

Bayou Boeuf, La Fourche Parish, La.

Lake Pontchartrain, La., with a view to the construction of a seaplane base in the vicinity of New Orleans and with a view to the protection of the shore line and repairs to the existing protective works on Lake Pontchartrain at Mandeville, La.

For flood control, irrigation, navigation, and drainage, and for the prevention of stream pollution and salt water intrusion, on all streams and bayous in southwest Louisiana, west of the West Atchafalaya Basin protection levee, and south of the latitude of Boyce; on all streams and bayous in Louisiana lying between the East Atchafalaya Basin protection levee and the Mississippi River; and on Amite and Tangipahoa Rivers and tributaries, Louisiana.

Mermentau River, La., from Grand Chenier to the Gulf.

Bell City Drainage Canal, La.

Bayou La Fourche, La., from the Gulf of Mexico to Leeville or to Golden Meadow.

Bayou La Fourche, La., from Donaldsonville to the Intracoastal Waterway, via Bayou Boeuf, Assumption Parish, or other streams, in the interest of navigation, flood control, beneficial uses of water, malarial control, prevention of stream pollution, and of the location of locks at the head of said bayou at or near Donaldsonville, La.

North Prong, Schooner Bayou, Vermilion Parish, La.

Gulf Intracoastal Waterway and connecting streams, lakes, and bays in Louisiana between Bayou Sale Ridge and the Calcasieu River in the interest of navigation, flood control, irrigation and drainage, and for the prevention of stream pollution and salt water intrusion.

The shore of Galveston Bay, Tex., with a view to preventing its erosion.

Galveston Bay and contiguous waters, Texas, with a view to providing a seaplane channel.

Pine Island Bayou, Tex.

Cedar Bayou Pass, Corpus Christi Pass, and Pass at Murdocks Landing, Tex.

Little Bay, Tex.

Sabine River and tributaries, Texas, in the interest of navigation, flood control, and other water uses.

Neches River and tributaries, Texas, in the interest of navigation, flood control, and other water uses.

Big Sandy Creek, Tex.

Cypress Creek, Tex.

Sabine-Neches Waterway, Tex., with a view to further improvements in the interest of navigation and the prevention of damage by floods.

Dickinson Bayou, Tex.

Jones Creek, Tex., with a view to improvement in the interest of navigation and flood control.

Waterway from the Neches River, by way of Pine Island Bayou and extension, to Trinity River, Tex.

Double Bayou, Tex.

Colorado River, Tex.



Waterway from Alvin, Tex., to the Intra-coastal Waterway.

Ouachita River, with a view to the construction of a dam at or near Rockport, Ark., in the interest of navigation, flood control, and the development of hydroelectric power.

Loosahatchie River, Tenn., from its mouth to the O. K. Robertson Road and including the area west of the Illinois Central Railroad and north of Wolf River, with a view to extending the navigation facilities of Memphis Harbor.

Mississippi River: Davenport (Iowa) harbor of refuge.

Mississippi River at Cassville, Wis.

Mississippi River at Prairie du Chien, Wis.

Mississippi River at Alma, Wis.

Mississippi River at Maiden Rock, Wis.

Illinois and Mississippi Canal, Ill.

St. Croix River Basin, Minn. and Wis., including consideration of the construction of dam below the mouth of Kettle River.

Minnesota River, Minn., up to a point 10 miles above New Ulm, with a view to improvement in the interest of navigation and related purposes.

Red River of the North Drainage Basin, Minn., S. Dak., and N. Dak.

Missouri River in South Dakota and North Dakota.

Missouri River in Nebraska.

Allegheny River, up to Olean, N. Y.

Tofte Harbor, Minn.

Grand Portage Harbor, Minn.

Lake Kabetogama, Minn.

Waterway connecting Lake Superior and Lake Michigan, from Au Train Lake to Little Bay de Noc, Mich.

Harbor at mouth of Au Train River, Mich.

Shelldrake Harbor, Mich.

St. Marys River at Sault Ste. Marie, Mich., with a view to providing facilities for light-draft navigation.

Harbor at St. Ignace, Mich.

Kenosha Harbor, Wis.

Mackinac Harbor, Mich.

Galien River, Berrien County, Mich.

Pine River, Mich.

Pinconning River, Mich.

Clinton River, Mich.

Waterway from Lake Erie, at or near Toledo, Ohio, to the southerly end of Lake Michigan by way of the Maumee River and the city of Fort Wayne, Ind., or other practicable route.

St. Marys River, Ohio and Ind.

Maumee River, Ind. and Ohio.

The coast of Lake Erie, with a view to the establishment of harbors of refuge for light-draft vessels for commercial and/or recreational purposes.

Harbor at Ballast Island, Ohio.

Vermilion Harbor, Ohio, with a view to improvement in the interest of navigation and related purposes.

Rocky River, Ohio.

The south shores of Lake Erie and of Lake Huron with a view to the establishment of harbors and harbors of refuge for light draft commercial and fishing vessels and for recreational craft.

At or near Northeast, Pa., with a view to constructing a harbor of refuge.

Harbor at Hamburg Township, N. Y.

Little River (branch of Niagara River), at Cayuga Island, Niagara Falls, N. Y.

Port Bay, N. Y.

Oswego Harbor, N. Y.

Chaumont River, N. Y.

At and in the vicinity of Henderson, N. Y., with a view to constructing a harbor.

At and in the vicinity of Sackets Harbor, N. Y., with a view to providing additional harbor facilities.

Point Dume, Calif.

Santa Monica Harbor, Calif.

The coast of southern California, with a view to the establishment of harbors for light-draft vessels.

Pillar Point, Half Moon Bay, San Mateo County, Calif.

Monterey Bay, Calif.

Carquinez Strait and Alhambra Creek, Calif., with a view to providing harbor improvements at, and in the vicinity of, Martinez.

Noyo River, Calif.

Napa River, Calif.

Humboldt Bay, Calif.

Bays, inlets, and rivers along the coast of Oregon with a view to providing an adequate number of deep-draft harbors.

Nelscott, Oreg., with a view to protection of the beach.

Harbor at Empire, Oreg.

Alsea Bay, Oreg., with a view to the construction of a harbor of refuge.

Coos Bay, Oreg.

Channel at Charleston, South Slough, Oreg.

Tillamook Bay and Bar, Oreg.

Nehalem Bay and River.

Columbia Slough.

Astoria, Oreg., with a view to the construction of a mooring basin for fishing boats within the harbor.

Willapa Harbor, Wash., with a view to providing a channel to, and turning basin at, Tokeland Dock; also with a view to providing a mooring basin and breakwater at and near Nahcotta Dock, Nahcotta.

Grays Harbor, Wash., with a view to constructing a channel into Bay City.

Grays Harbor, Wash., with a view to providing a breakwater and other improvements at and near Westport.

Grays Harbor, Wash., with a view of providing a deep-sea fishing base at Hoquiam.

Friday Harbor, Wash.

Sitka Harbor, Alaska.

Cordova Harbor, Alaska.

Kodiak Harbor, Alaska.

Neva Strait and Olga Strait, Alaska.

Upper Kvichak River, Alaska.

Skagway Harbor, Alaska.

Valdez Harbor, Alaska, with a view to its improvement, and particularly with respect to the expansion of facilities for harborage of small boats.

Cook Inlet, Alaska, with a view to improvement for navigation, providing harbor facilities for the city of Anchorage, and the development of hydroelectric power.

Anchorage Harbor, Alaska, with a view to its improvement, and with the view of determining the advisability of providing additional harbor facilities for small boats.

Kalaupapa Landing, Island of Molokai, T. H.

Kalepolepa Boat Harbor, Island of Maui, T. H.

Humacao Playa, Punta Santiago, P. R.

Arecibo Harbor, P. R., with a view to determining whether modifications in the authorized project would be desirable.

Christiansted Harbor, St. Croix, V. I., with a view to improvement for navigation.

SEC. 8. The Secretary of War is hereby authorized and directed to ascertain as nearly as can be estimated the amounts of damages resulting to manufacturers on the Oswego River, by the improvement of the Oswego and Erie Canals by the State of New York in accordance with the project adopted by the River and Harbor Act, approved August 30, 1935.

#### ADDITIONAL REPORTS OF COMMITTEES

The following additional reports of committees were submitted:

By Mr. HILL, from the Committee on Expenditures in the Executive Departments:

H. R. 4547. A bill to amend the act of February 14, 1931, as amended, so as to permit the compensation on a mileage basis, of civilian officers or employees for the use of privately owned airplanes while traveling on official business; without amendment (Rept. No. 1377).

By Mr. THOMAS of Oklahoma, from the Committee on Agriculture and Forestry:

H. R. 5566. A bill to amend section 502 (a) of the Department of Agriculture Organic Act of 1944; without amendment.

#### COMPROMISE, ADJUSTMENT, OR CANCELLATION OF INDEBTEDNESS BY SECRETARY OF AGRICULTURE

The PRESIDING OFFICER (Mr. Lucas in the chair) laid before the Senate the amendment of the House of Representatives to the bill (S. 1688) to authorize the Secretary of Agriculture to compromise, adjust, or cancel certain indebtedness, and for other purposes, which was, on page 6, to strike out all of section 5.

Mr. THOMAS of Oklahoma. Mr. President, I move that the Senate concur in the House amendment.

Mr. WHITE. Mr. President, will the Senator be good enough to explain the bill?

Mr. THOMAS of Oklahoma. The bill is Senate bill 1688. It authorizes the Secretary of Agriculture to compromise, adjust, or cancel certain indebtedness on account of farm-security loans of various kinds, and the section stricken out was section 5 on page 6. Section 5 provided that the Secretary of Agriculture should make a report to the Congress and the House struck out the requirement.

Mr. WHITE. Mr. President, I have no objection.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Oklahoma [Mr. THOMAS].

The motion was agreed to.

#### CROP INSURANCE

Mr. THOMAS of Oklahoma. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1317, House bill 4911, to amend the Federal Crop Insurance Act.

The PRESIDING OFFICER. The bill will be stated by its title for the information of the Senate.

The CHIEF CLERK. A bill (H. R. 4911) to amend the Federal Crop Insurance Act.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Agriculture and Forestry with amendments.

Mr. THOMAS of Oklahoma. Mr. President, I ask unanimous consent that the formal reading of the bill be dispensed with, that it be read for amendment, and that the committee amendments be first considered.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. MAYBANK submitted an amendment intended to be proposed by him to the bill (H. R. 4911) to amend the Federal Crop Insurance Act, which was ordered to lie on the table and to be printed.

#### FEDERAL AID FOR POST-WAR HIGHWAY CONSTRUCTION—CONFERENCE REPORT

Mr. McKELLAR submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 2105)







OFFICE OF BUDGET AND FINANCE  
Legislative Reports and Service Section

78th-2nd, No. 175

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE  
(Issued December 14, 1944, for actions of Wednesday, December 13, 1944)

(For staff of the Department only)

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SENATE

1. CROP INSURANCE. Began debate on H.R. 4911, the crop-insurance bill (pp. 9441-71). Agreed to all committee amendments and to amendments by:  
Sen. Russell, Ga., to include timber and forests in the list of commodities with which the Board may experiment (pp. 9443-4, 9444).  
Sen. Shipstead, Minn., to increase to \$30,000,000 the appropriation authorization for payments to producers to encourage increased flax production (pp. 9445-7).  
Sen. Maybank, S.C., proposed an amendment to amend the Federal Reserve Act so as to make it clear that there is no prohibition on the absorption of exchange and collection charges by member banks (pp. 9448-71).  
Sen. Thomas, Okla., discussed the bill's provisions and inserted a summary of administrative expenses under crop insurance by appropriations as of June 30, 1944, and a table, "Federal Crops Insurance Experience" (pp. 9441-3).  
Sens. Bushfield, S.Dak., and Thomas, Okla., discussed the flax program (p. 9445).
2. RECLAMATION. Agreed to the conference report on H.R. 3429, authorizing the employment of engineers and economists on reclamation work (p. 9439). The House has not acted on this report.  
  
Sens. McCarran, Chavez, McFarland, Gurney, and Thomas were appointed conferees on S. 1782, to extend the time in which amendatory contracts may be made under the Reclamation Act (p. 9453).
3. PERSONNEL; RETIREMENT. Concurred in the House amendments to S. 198, to amend the Civil Service Retirement Act so as to provide for adjustment of annuity payments to beneficiaries of retired civil service employees (p. 9439). This bill will now be sent to the President.



7. RIVERS AND HARBORS BILL. Reps. Mansfield (Tex.), Peterson (Ga.), Bell, Carter, and Dondero were appointed conferees on this bill, H. R. 3961 (p. 9475). Senate conferees have not yet been appointed.
8. LAND ACQUISITION. Rejected, 35-97, S. 919, to expedite the payment for land acquired during the war period by abolishing the use of commissioners in condemnation proceedings (pp. 9476-96). Rep. Hancock, N. Y., criticized the bill stating that the need for acquiring land for Federal purposes has been practically completed (p. 9483).

## BILLS INTRODUCED

9. ROADS. By Rep. Cannon, Mo., H. R. 5619, to amend Sec. 8 of the 1943 amendment to the Federal Highway Act, relating to the use of toll-bridge fees for secondary and feeder roads. To Roads Committee. (p. 9512.)
10. MEAT INVESTIGATION. By Rep. O'Toole, N. Y., H. Res. 677, to investigate the meat situation in New York City. To Rules Committee. (p. 9512.)

## ITEMS IN APPENDIX

11. FLOOD CONTROL. Rep. Harris, Ark., inserted an Arkansas Gazette editorial regarding flood control and economic development of the Little Missouri River (p. A5089).
12. SMALL BUSINESS. Extension of remarks of Rep. Patman, Texas, favoring small business enterprise and inserting excerpts from speeches of both the President and Governor Dewey indicating their favor of such enterprise (p. A5087).
13. BANKING AND CURRENCY. Rep. Crawford, Mich., inserted his statement made before the Senate committee opposing S. 1642 to amend the Federal Reserve Act providing that the absorption of exchange and collection charges not be deemed the payment of interest on deposits (pp. A5094-5).
14. POST-WAR PLANNING. Sen. Aiken, Vt., inserted Albert S. Goss' speech on foreign-trade policy, reconversion and its relative problems, free enterprise, farm problems, agricultural policy, price and production control, subsidies, inflation, and taxes in relation to maintaining an economic balance (pp. A5096-99).
15. HIGHWAYS. Extension of remarks of Rep. Harris, Ark., criticizing the provision for State matching of Federal post-war highway appropriations and inserting an Arkansas Gazette article on the subject (p. A5085-6).
16. VETERANS' BENEFITS. Rep. Bryson, S. C., inserted Solicitor E. E. Odom's letter showing comparative benefits for veterans of World War I and World War II (pp. A5099-101).

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NOTICES OF COMMITTEE HEARINGS. Dec. 14: S. Special Defense, cigarette shortage; S. Small Business, executive agencies' policies and procedures in surplus war property disposal; S. Education and Labor, wartime health and education; Appropriations to mark up deficiency bill; Foreign Relations, State Department nominations; H. Merchant Marine, Discussion of Committee investigations.

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gram? What is our policy? What is the future plan for which we are asking our American men and women to sacrifice and die?

If we are to lead the world in peace, now is the time to demand and secure an understanding and establish a policy that will give us at least a chance to use our full weight and influence for victory and for an enduring peace.

Mr. CHAVEZ. Mr. President, before the Senator takes his seat, may I ask him a question?

Mr. BROOKS. Certainly.

Mr. CHAVEZ. Are not the Greek boys who are now being killed on one pretext or another the same ones who put up a valiant fight against the Axis Powers before the British forces entered that part of the world?

Mr. BROOKS. I believe the Senator is entirely correct.

Mr. CHAVEZ. Did not the Poles fight against the Axis Powers, especially Germany, at the start of the war?

Mr. BROOKS. I will say to the Senator from New Mexico that perhaps there has never been a demonstration in the annals of history that will compare with the courage of Poland, who bared her breast to the steel of the Axis Powers.

Mr. CHAVEZ. I think that was a great demonstration of courage. So far as Greece was concerned, she was caught between two of the Axis Powers, Germany and Italy, who crowded her from both sides. If the Greeks had had only Italy to contend with, and Germany had not interfered, I think I know what the result might have been. Is it fair now, if we actually believe in the purposes and ideals of the Atlantic Charter, to have one country as an overlord over Greece, either in the Dodecanese Islands or in Crete, because those places might become sources of power or influence in the future?

Mr. BROOKS. I thank the Senator.

Mr. BUTLER. Mr. President, will the Senator yield?

Mr. BROOKS. I yield.

Mr. BUTLER. The distinguished junior Senator from Illinois referred a number of times in his remarks to the Atlantic Charter. I wonder whether he will be willing to request—or, if he does not so request, whether he will be willing that I request—that an official copy of the Atlantic Charter follow his remarks in the RECORD?

Mr. BROOKS. I shall be glad to have it inserted as a part of my remarks.

The VICE PRESIDENT. Without objection, it is so ordered.

#### THE ATLANTIC CHARTER

(H. Doc. No. 358, 77th Cong., 1st sess.)

To the Congress of the United States:

Over a week ago I held several important conferences at sea with the British Prime Minister. Because of the factor of safety to British, Canadian, and American ships, and their personnel, no prior announcement of these meetings could properly be made.

At the close, a public statement by the Prime Minister and the President was made, I quote it for the information of the Congress and for the record:

"The President of the United States and the Prime Minister, Mr. Churchill, representing His Majesty's Government in the United Kingdom, have met at sea.

"They have been accompanied by officials of their two Governments, including high-ranking officers of their military, naval, and air services.

"The whole problem of the supply of munitions of war, as provided by the Lease-Lend Act, for the armed forces of the United States, and for those countries actively engaged in resisting aggression, has been further examined.

"Lord Beaverbrook, the Minister of Supply of the British Government, has joined in these conferences. He is going to proceed to Washington to discuss further details with appropriate officials of the United States Government. These conferences will also cover the supply problems of the Soviet Union.

"The President and the Prime Minister have had several conferences. They have considered the dangers to world civilization arising from the policies of military domination by conquest upon which the Hitlerite government of Germany and other governments associated therewith have embarked, and have made clear the steps which their countries are respectively taking for their safety in the face of these dangers.

"They have agreed upon the following joint declaration:

"Joint declaration of the President of the United States of America and the Prime Minister, Mr. Churchill, representing His Majesty's Government in the United Kingdom, being met together, deem it right to make known certain common principles in the national policies of their respective countries on which they base their hopes for a better future for the world.

"First, their countries seek no aggrandizement, territorial or other;

"Second, they desire to see no territorial changes that do not accord with the freely expressed wishes of the peoples concerned;

"Third, they respect the right of all peoples to choose the form of government under which they will live; and they wish to see sovereign rights and self-government restored to those who have been forcibly deprived of them;

"Fourth, they will endeavor, with due respect for their existing obligations, to further the enjoyment by all states, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity;

"Fifth, they desire to bring about the fullest collaboration between all nations in the economic field with the object of securing for all improved labor standards, economic advancement, and social security;

"Sixth, after the final destruction of the Nazi tyranny, they hope to see established a peace which will afford to all nations the means of dwelling in safety within their own boundaries, and which will afford assurance that all the men in all the lands may live out their lives in freedom from fear and want;

"Seventh, such a peace should enable all men to traverse the high seas and oceans without hindrance;

"Eighth, they believe that all of the nations of the world, for realistic as well as spiritual reasons, must come to the abandonment of the use of force. Since no future peace can be maintained if land, sea, or air armaments continue to be employed by nations which threaten, or may threaten, aggression outside of their frontiers, they believe, pending the establishment of a wider and permanent system of general security, that the disarmament of such nations is essential. They will likewise aid and encourage all other practicable measures which will lighten for peace-loving peoples the crushing burden of armaments.

"(Signed) FRANKLIN D. ROOSEVELT.

"(Signed) WINSTON S. CHURCHILL."

The Congress and the President having heretofore determined, through the Lend-

Lease Act, on the national policy of American aid to the democracies, which east and west are waging war against dictatorships, the military and naval conversations at these meetings made clear gains in furthering the effectiveness of this aid.

Furthermore, the Prime Minister and I are arranging for conferences with the Soviet Union to aid it in its defense against the attack made by the principal aggressor of the modern world—Germany.

Finally, the declaration of principles at this time presents a goal which is worth while for our type of civilization to seek. It is so clear-cut that it is difficult to oppose in any major particular without automatically admitting a willingness to accept compromise with nazi-ism; or to agree to a world peace which would give to nazi-ism domination over large numbers of conquered nations. Inevitably such a peace would be a gift to nazi-ism to take breath—armed breath—for a second war to extend the control over Europe and Asia, to the American Hemisphere itself.

It is perhaps unnecessary for me to call attention once more to the utter lack of validity of the spoken or written word of the Nazi government.

It is also unnecessary for me to point out that the declaration of principles includes, of necessity, the world need for freedom of religion and freedom of information. No society of the world organized under the announced principles could survive without these freedoms which are a part of the whole freedom for which we strive.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, August 21, 1941.

#### CROP INSURANCE

The Senate resumed the consideration of the bill (H. R. 4911) to amend the Federal Crop Insurance Act.

The VICE PRESIDENT. The clerk will state the first amendment of the committee.

The first amendment of the committee was, on page 1, line 9, after the words "loss in", to strike out "yield of such growing, unharvested, unthrashed, or unpicked crops" and to insert "yields."

The VICE PRESIDENT. The question is on agreeing to the committee amendment.

Mr. THOMAS of Oklahoma. Mr. President, before we commence consideration of the amendments, I think perhaps a brief statement with respect to the provisions of the bill should be placed in the RECORD.

The pending bill is entitled "An act to amend the Federal Crop Insurance Act." The Crop Insurance Act was originally passed as title V of the Agricultural Adjustment Act of 1938, and was approved February 16, 1938. The purpose of title V of the original Crop Insurance Act is stated in sections 502, 503, and 504. I now read those three sections from the original act:

#### DECLARATION OF PURPOSE

SEC. 502. It is the purpose of this title to promote the national welfare by alleviating the economic distress caused by wheat-crop failures due to drought and other causes, by maintaining the purchasing power of farmers, and by providing for stable supplies of wheat for domestic consumption and the orderly flow thereof in interstate commerce.

SEC. 503. To carry out the purposes of this title, there is hereby created as an agency of and within the Department of Agriculture a body corporate with the name "Federal Crop Insurance Corporation" (herein called the Corporation). The principal office of the



Corporation shall be located in the District of Columbia, but there may be established agencies or branch offices elsewhere in the United States under rules and regulations prescribed by the Board of Directors.

#### CAPITAL STOCK

SEC. 504. (a) The Corporation shall have a capital stock of \$100,000,000 subscribed by the United States of America, payment for which shall, with the approval of the Secretary of

Agriculture, be subject to call in whole or in part by the board of directors of the Corporation.

Mr. President, with respect to the success of the program carried on under the original act, I should like to have two tables printed at this point in the RECORD. One of them is entitled "Summary of administrative expenses by appropriations as at June 30, 1944." The second

table is entitled "Federal crop insurance experience, United States summary by years, as of June 30, 1944." I ask unanimous consent that the two tables may be printed at this point in the RECORD, as a part of my remarks.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

*Summary of administrative expenses by appropriations as at June 30, 1944*

| Fiscal year                    | Net appro-<br>priations <sup>1</sup> | Expenditures                       |              |               |  |              |                | Savings       |                         |
|--------------------------------|--------------------------------------|------------------------------------|--------------|---------------|--|--------------|----------------|---------------|-------------------------|
|                                |                                      | Federal Crop Insurance Corporation |              |               | Cooperating agencies                         |              |                |               | Total expend-<br>itures |
|                                |                                      | General                            | Storage      | Total         | Agricultural<br>Adjustment<br>Administration | Other        | Total          |               |                         |
| 1938.....                      | \$965,000                            | \$234,546.07                       |              | \$234,546.07  |  |              |                | \$234,546.07  | \$730,453.93            |
| 1939.....                      | 5,000,000                            | 1,648,390.41                       | \$305,621.27 | 1,954,011.68  | \$2,245,743.31                               | \$151,580.77 | \$2,397,324.08 | 4,351,335.76  | 648,664.24              |
| 1940.....                      | 5,823,200                            | 1,320,437.79                       | 858,317.17   | 2,178,754.96  | 3,280,167.88                                 | 191,916.17   | 3,472,084.05   | 5,650,839.01  | 172,360.99              |
| 1941.....                      | 5,523,200                            | 1,148,169.32                       | 865,588.89   | 2,013,758.21  | 2,814,439.96                                 | 200,737.64   | 3,015,177.60   | 5,628,935.81  | 494,264.19              |
| 1942.....                      | 8,559,827                            | 1,598,212.74                       | 178,856.96   | 1,419,355.78  | 5,123,260.67                                 | 232,994.08   | 5,356,254.75   | 6,775,610.53  | 1,784,216.47            |
| 1943.....                      | 8,572,954                            | 1,352,122.05                       | 57,720.33    | 1,294,401.72  | 4,884,579.00                                 | 269,641.07   | 5,154,220.07   | 6,448,621.79  | 2,124,332.21            |
| 12 1/2 months ending 1943..... | 550                                  | 484.22                             |              | 484.22        |  |              |                | 484.22        | 55.78                   |
| 1944.....                      | 3,150,000                            | 605,708.10                         | 44,109.43    | 949,817.53    | 770,000.00                                   | 17,272.00    | 787,272.00     | 1,737,089.53  | 1,412,910.47            |
| Total.....                     | 37,594,731                           | 8,208,080.70                       | 1,837,059.47 | 10,045,140.17 | 19,118,190.82                                | 1,064,141.73 | 20,182,332.55  | 30,227,472.72 | 7,367,258.23            |

<sup>1</sup> Adjusted to reflect reappropriations: \$500,000, 1939 to 1940; \$100,000, 1940 to 1941; \$350,000, 1944 to 1945.

*Federal crop insurance experience, United States summary by years, as of June 30, 1944*

| Commodity and crop year | Farms insured <sup>1</sup> |                    | Indemnities | Insured acreage | Insured production | Commodity basis |             |                        | Monetary basis |               |  |                        |
|-------------------------|----------------------------|--------------------|-------------|-----------------|--------------------|-----------------|-------------|------------------------|----------------|---------------|--|------------------------|
|                         | Insurance written          | Insurance in force |             |                 |                    | Premiums        | Indemnities | Surplus or deficit (-) | Premiums       | Indemnities   | Gain or loss from commodity transactions | Surplus or deficit (-) |
|                         | Number                     | Number             | Number      | Acres           | Bushels            | Bushels         | Bushels     | Bushels                | Dollars        | Dollars       | Dollars                                  | Dollars                |
| Wheat:                  |                            |                    |             |                 |                    |                 |             |                        |                |               |  |                        |
| 1939.....               |                            | 165,775            | 55,932      | 7,010,390       | 60,826,075         | 6,670,315       | 10,163,899  | -3,493,584             | 3,410,940.10   | 5,601,561.79  | -1,417.71                                | -2,192,039.40          |
| 1940.....               | 379,710                    | 360,596            | 112,762     | 12,754,834      | 108,284,574        | 13,796,798      | 22,898,147  | -9,101,349             | 9,155,062.21   | 13,694,263.02 | -175,225.59                              | -4,714,427.00          |
| 1941.....               | 420,540                    | 371,390            | 130,774     | 11,724,263      | 104,306,380        | 12,643,051      | 18,857,243  | -6,214,192             | 7,096,366.64   | 18,925,433.85 | 4,182,654.71                             | -7,646,412.50          |
| 1942.....               | 504,047                    | 400,043            | 108,368     | 9,630,265       | 88,063,150         | 8,709,715       | 10,574,927  | -1,865,212             | 8,447,498.18   | 13,066,902.68 | 1,738,922.15                             | -3,480,482.35          |
| 1943.....               | 487,663                    | 357,733            | 133,076     | 8,148,800       | 75,264,000         | 8,035,124       | 13,209,955  | -5,174,831             | 10,625,480.33  | 19,705,072.29 | 912,775.32                               | -8,166,816.64          |
| Total wheat.....        |                            | 1,655,537          | 540,912     | 49,278,552      | 436,744,179        | 49,915,003      | 75,704,171  | -25,789,168            | 38,735,347.46  | 71,593,234.23 | 6,657,708.88                             | -26,200,177.89         |
| Cotton:                 |                            |                    |             |                 | Pounds             | Pounds          | Pounds      | Pounds                 |                |               |  |                        |
| 1942.....               |                            | 169,072            | 47,744      | 2,816,462       | 407,611,601        | 31,435,750      | 52,536,269  | -21,100,519            | 6,302,938.89   | 11,254,151.87 | 207,840.90                               | -4,743,372.08          |
| 1943.....               |                            | 164,998            | 40,632      | 2,690,279       | 286,690,312        | 30,744,370      | 56,800,979  | -26,056,609            | 6,852,495.82   | 13,006,746.01 | -125,795.40                              | -6,280,045.59          |
| Total cotton.....       |                            | 334,070            | 88,376      | 5,506,741       | 794,301,913        | 62,180,120      | 109,337,248 | -47,157,128            | 13,155,434.71  | 24,260,897.88 | 82,045.50                                | -11,023,417.67         |
| Other charges.....      |                            |                    |             |                 |                    |                 |             |                        |                |               |  | -3,448.00              |
| Total.....              |                            | 1,989,607          | 629,288     | 54,785,293      |                    |                 |             |                        | 51,890,782.17  | 95,854,132.11 | 6,739,754.38                             | -37,227,043.56         |

<sup>1</sup> Includes duplication where both landlord and tenant are insured.

<sup>2</sup> Estimated.

Mr. THOMAS of Oklahoma. Mr. President, the original program covered only wheat and cotton. The record shows that during the years 1939, 1940, 1941, 1942, and 1943 the program on wheat suffered a loss of approximately \$26,200,177.89, and during the years 1942 and 1943 the program on cotton suffered a loss of approximately \$11,023,417.67. Other charges against the crop-insurance program totaled approximately \$3,448, so that the total loss sustained during the years mentioned, during which the program was operated, was approximately \$37,227,043.56.

The original program was closed by congressional decree in the form of a provision included in the Agricultural Appropriation Act of 1944. That provision is incorporated in the committee report. Mr. President, I ask unanimous consent that the portion of the committee report entitled "General Statement," as found

on page 1 and on part of page 2, be included at this point in the RECORD as a part of my remarks.

There being no objection, the portion of the report (No. 1298) was ordered to be printed in the RECORD, as follows:

#### GENERAL STATEMENT

The Department of Agriculture Appropriation Act, 1944, in the item which appropriated funds for administrative and operating expenses under the Federal Crop Insurance Act, approved February 16, 1938, as amended, provided, in part, that "no part of this appropriation shall be used for or in connection with the insurance of wheat and cotton crops planted subsequent to July 31, 1943, or for any other purposes except in connection with the liquidation of insurance contracts on wheat and cotton crops planted prior to July 31, 1943."

The Department of Agriculture Appropriation Act, 1945, provided \$350,000 for continuation of liquidation. No crops have been insured since those planted for harvest in 1943.

The need or the desirability of "all risk" crop insurance for American farmers is well recognized. Even when the Congress terminated the program the need for crop insurance was not questioned. Farming is one of the most hazardous of all undertakings. Even though the farmer does everything possible to produce a crop, weather or other factors beyond his control may bring failure. There is no private source from which broad insurance protection against crop losses can be obtained. Insurance can be obtained against hail on some crops, but the farmer needs more complete protection. If the farmers are to receive this protection it must be made available by the Government. Crop insurance will help farmers as a group to carry their own burdens resulting from agricultural catastrophes and thus reduce the need for public assistance when catastrophes occur. Thus, the Government's contributions to the establishment and operation of a crop-insurance system will be offset by the savings in contributions for relief of agricultural areas stricken by floods and other catastrophes.



Both political parties have recognized the need for crop insurance by farmers, have endorsed the principle, and have pledged themselves to the development of such a system.

This committee has held hearings on the bill (H. R. 4911) and has given careful consideration to the broad aspects of the problem as well. The modified bill recommended by the committee incorporates its views on the type of insurance program which, in the long run, will be most beneficial to farmers and to the country as a whole.

Mr. THOMAS of Oklahoma. Mr. President, the other body of Congress has passed the bill, H. R. 4911, in an effort to revive a program of crop insurance. That was done because the farmers of the country are demanding some form of crop insurance, and in obedience to the platform pledges of the two major political parties. The Republican Party included in its platform a pledge of a study of and, if possible, the development of an effective and sound program for crop insurance. The pledge was as follows:

Serious study of and search for a sound program of crop insurance, with emphasis upon establishing a self-supporting program.

The Democratic Party, at its convention, adopted a similar platform pledge in the following language:

Price guaranties and crop insurance to farmers with all practical steps—

So both political parties are on record in favor of trying to develop a sound, sane, and successful plan for crop insurance.

So, in the House of Representatives the bill was prepared as an amendment to the existing law. Of course, at the present time the existing law is not operative, because the Congress has heretofore refused to make appropriations with which its provisions could be carried out. So the pending bill is an attempt, in obedience to the Republican and Democratic programs, as set forth in their platforms, to develop a program which will be sound and successful.

The program will commence on a very small scale or basis. For example, in 1945 the program would cover only the crops of cotton, wheat, and flax. The bill provides that during 1945 the Corporation can make experiments with respect to the two additional crops of corn and tobacco. Thereafter, in 1946, 1947, and following years, if the Congress so wills, the Corporation can further experiment with three crops a year. That provision means that the program would begin on a small scale, and that if it can be made a success, the Congress can from time to time increase the appropriations or amend the law and go forward with the program. That is a general statement with respect to the program.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD, as a part of my remarks, a statement relative to the changes made in the bill as it is reported by the Senate committee, as compared to the bill as it was passed by the House of Representatives.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

#### MAJOR CHANGES IN THE CROP INSURANCE BILL (H. R. 4911)

The bill reported by the committee differs from the House bill in the following essential respects:

1. The proviso requiring the insurance coverage on wheat, cotton, and flax, which is based on not to exceed 75 percent of the average yield, to be limited to the investment in the crop has been stricken. This was stricken because it is believed that in many instances the limitation contained in the House bill would not have given adequate insurance protection to farmers. The farmer's income should be protected to some extent as well as his crop investment, and the bill, with the proviso stricken, permits this. In addition, under this bill, the insurance coverage may be adapted to the particular stage of production of a commodity at the time of loss.

2. The proviso limiting the payment of claims for losses on any commodity to the amount of premiums collected on such commodity, with the exception that such claims could not be reduced by more than 15 percent for the first 3 years, has been stricken. In effect, this provision requires farmers to make up a deficit in premium income by receiving less than the full amount of their approved claims for losses. This does not appear equitable and the uncertainty as to amount of protection would tend to limit participation.

3. The proviso limiting the administrative expenses of the Corporation to not more than a sum equivalent to a percentage of the premiums collected in the preceding year has been stricken. This is not a workable provision and no formula for limiting administrative expenses has been found which is suited to a program of this kind. Such supervision as may be needed over administrative expenses of the Corporation can be exercised by the Congress as annual appropriations are made.

4. A proviso has been added limiting the initiation of trial insurance to corn and tobacco in 1945 and to not more than three additional crops in each year thereafter. It is believed that trial insurance programs should be undertaken with caution. Since under the bill trial insurance is authorized with respect to a large number of commodities, such a limitation seems desirable.

5. A new section 6 has been added to provide funds immediately for administrative expenses for the Corporation so that it may undertake the authorized programs without delay. The funds made available by this section represent part of the unobligated balances of funds appropriated for administrative expenses for crop insurance in prior years.

6. A new section 5 has been added to authorize the appropriation of \$20,000,000 to the War Food Administrator for the purpose of making payments to flax producers to encourage an increased production of flax in 1945. If minimum requirements for linseed oil are to be met, 5,000,000 acres of flax must be produced in 1945, which figure represents an increase of approximately 1,800,000 acres over 1944.

Mr. THOMAS of Oklahoma. Mr. President, with that statement, I think we are ready to consider the bill and the amendments. If during the consideration of the amendments there are any questions which Senators desire to ask, I am sure some member of the committee will be able to answer them in accordance with the committee's understanding of the measure.

The PRESIDING OFFICER (Mr. ELLENDER in the chair). The question

is on agreeing to the committee amendment, on page 1, in line 9.

The amendment was agreed to.

Mr. WHITE. Mr. President, I do not have sufficient familiarity with the pending measure to justify any attempt on my part to analyze or discuss it. But I think the Senate may be interested to know that I have canvassed seven of the eight minority members of the Committee on Agriculture and Forestry, and those seven members indicated their approval of the bill.

The PRESIDING OFFICER. The next amendment of the committee will be stated.

The LEGISLATIVE CLERK. On page 2, in line 3, after the words "plant disease", it is proposed to insert "and such other unavoidable causes as may be determined by the Board."

The amendment was agreed to.

Mr. BUSHFIELD. Mr. President, will the Senator yield?

Mr. THOMAS of Oklahoma. I yield.

Mr. BUSHFIELD. I do not know whether it is in order at this time to ask the question I have in mind, but I desire to inquire about the flax program. If that subject is not in order now, I will refer to it later.

Mr. THOMAS of Oklahoma. Mr. President, we will come to that subject a little later.

Mr. BUSHFIELD. Very well.

The PRESIDING OFFICER. The clerk will state the next committee amendment.

The next committee amendment was, on page 2, in line 3, after the word "disease", to insert "and such other unavoidable causes as may be determined by the Board."

The amendment was agreed to.

The next amendment was, on the same page, in line 11, after the word "just", to strike out "Provided, however, That such insurance coverage shall not exceed the investment in the crop based on the cost, as determined by the Board, of preparing the land, of labor, seed, planting, cultivation, disease or insect control, harvesting, ginning, hauling to market, fertilizer, irrigation, use of the land, and other applicable costs as determined by the Board."

The amendment was agreed to.

The next amendment was, on page 3, in line 10, after the word "beets", to insert "sugarcane."

Mr. RUSSELL. Mr. President, I desire to move an amendment to the committee amendment, which relates only to the commodities with which the Board may experiment, by inserting after the word "sugarcane" the words "timber and forests."

Mr. THOMAS of Oklahoma. Mr. President, the bill sets forth a number of crops which may be covered by the measure. An opinion from the Solicitor of the Agricultural Department indicates that any commodity grown on the farm could be included in the bill if the department so decides. So I have no objection to the amendment of the Senator from Georgia.

The PRESIDING OFFICER. The question is on agreeing to the amend-



ment of the Senator from Georgia to the committee amendment.

The amendment to the amendment was agreed to.

The PRESIDING OFFICER. The question now recurs to agreeing to the committee amendment as amended.

The amendment as amended was agreed to.

The PRESIDING OFFICER. The clerk will state the next committee amendment.

The next amendment was, on page 3, in line 16, after the word "causes", to strike out "specified" and insert "covered."

The amendment was agreed to.

The next amendment was, on the same page, in line 17, after the word "subsection", to insert "Provided, That such insurance shall be limited in 1945 to corn and tobacco and to not more than three additional crops for each year thereafter."

The amendment was agreed to.

Mr. REVERCOMB. Mr. President, I inquire with respect to the committee amendment which has just been agreed to, reading as follows:

*Provided, That such insurance shall be limited in 1945 to corn and tobacco and to not more than three additional crops for each year thereafter.*

Am I to understand that the Board may select from those enumerated in the second section the crops upon which insurance may be written?

Mr. THOMAS of Oklahoma. The bill provides that for the coming year 1945 and thereafter a program covering wheat, cotton, and flax may be inaugurated throughout the entire United States. The bill provides that for 1945 the Board may experiment with only corn and tobacco. Those crops will be experimental in 1945.

Mr. REVERCOMB. What does the Senator mean by "experimental"?

Mr. THOMAS of Oklahoma. Under the bill the Board would have the right to select 20 counties throughout the United States in which to make experiments. The Board could experiment and ascertain the results.

Mr. REVERCOMB. The experiment would be to ascertain whether or not insurance may be written on the crops which had been experimented with. Is that the idea?

Mr. THOMAS of Oklahoma. The experiments will be conducted in a small way. If the experiments prove to be a success in 1945, a full program may then be put into effect. But experiments must be conducted for 1 year in order to be sure that statistics are made available on which a decision may be based as to whether corn, tobacco, or both may be made the basis of the program.

Mr. RUSSELL. Mr. President, I may say that the provision in the bill does not confer upon the Board the right to insure corn and tobacco generally throughout the United States. It could not insure a corn crop unless Congress amended the law. The present amendment would apply only to 20 counties in which the Board may experiment and determine what are the fair rates to be charged so as to avoid losses. But in no

event could any crop be included in the over-all program unless Congress, by subsequent specific legislation, authorized the Board to insure that crop.

Mr. REVERCOMB. Mr. President, I thank the Senator from Georgia, and I also thank the Senator from Oklahoma. I believe the Senator from Georgia has really answered the question which I propounded. The language states that the Board cannot experiment with any additional crop in 1945. That is, they are limited in 1945 to corn and tobacco, and to not more than three additional crops for each year thereafter. May the Board select the crops with which they experiment?

Mr. THOMAS of Oklahoma. The bill so provides.

Mr. REVERCOMB. But there could be no Nation-wide insurance of any of those crops without specific action by Congress having first been taken.

Mr. THOMAS of Oklahoma. The Senator is correct, except as to the first three crops, mentioned on page 1, namely, wheat, cotton, and flax.

Mr. LUCAS. In other words, 20 counties could be selected in which to make experiments, say in Illinois and Iowa, and if the Board made a favorable report as to the result of their experiments with respect to any of the crops to which reference has been made, it would be necessary for the Board to report to Congress and then Congress could take further action.

Mr. THOMAS of Oklahoma. That is correct.

The PRESIDING OFFICER. The next committee amendment will be stated.

The next amendment was, on page 3, in line 21, after the word "paragraph", to strike out "shall be limited to producers in not to exceed 20 representative counties selected by the Board for a period of not more than 3 years, and shall be subject to the limitations and conditions provided in paragraph (1) of this subsection: *Provided, however, That such insurance coverage may be the same as the insurance coverage provided in paragraph (1) of this subsection or may cover a percentage not in excess of 75 percent of the investment in the crop, determined in accordance with the provisions of paragraph (1) of this subsection,*" and insert "shall be subject to the limitations and conditions provided in paragraph (1) of this subsection, shall be for a period of not more than 3 years, and shall be limited to producers in not to exceed 20 counties selected by the Board as representative of the several areas where the agricultural commodity is normally produced: *Provided, however, That such insurance may cover a percentage not in excess of 75 percent of the investment in the crop, as determined by the Board.*"

The amendment was agreed to.

The next amendment was, on page 4, in line 14, after the word "report", to insert "annually."

The amendment was agreed to.

The next amendment was, on the same page, in line 23, after the word "establish", to strike out "within a period of

3 years" and insert "as expeditiously as possible."

The amendment was agreed to.

The next amendment was, on page 5, in line 2, after the word "determine", to strike out "*Provided, That, after the crop-year of 1945, not more than a sum equivalent to 25 percent of the premiums collected in the preceding year (beginning calculation of premiums collected in the crop year of 1945) shall be used for administrative expenses in any current operating year.*"

The amendment was agreed to.

The next amendment was, on page 5, in line 12, after the word "Board", to strike out "*Provided, however, That if the total amount of approved claims for losses on any agricultural commodity for any year exceeds the total amount of premiums collected plus the accumulated premium reserves of the Corporation with respect to such commodity, such claims shall be paid on a pro rata reduced basis, but for the first 3 crop years with respect to which insurance has been in effect on any crop after the enactment of this act the payment shall not be reduced by more than 15 percent of the amount of the approved claim.*"

The amendment was agreed to.

The next amendment was, on page 6, after line 10, to strike out:

SEC. 4. That subsection (e) of section 508 of the Federal Crop Insurance Act, as amended, is hereby repealed.

The amendment was agreed to.

The next amendment was, on the same page, in line 13, after "Sec.", to strike out the numeral "5" and insert "4."

The amendment was agreed to.

The next amendment was, on the same page, in line 17, after the word "beets", to insert "sugarcane."

Mr. RUSSELL. Mr. President, in order to make the language here conform to the language in subparagraph (2) on page 3, I offer an amendment to the committee amendment, after the word "sugarcane", to insert "timber and forests."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Georgia to the committee amendment.

The amendment to the amendment was agreed to.

The PRESIDING OFFICER. The question now recurs on agreeing to the amendment of the committee as amended.

The amendment as amended was agreed to.

The PRESIDING OFFICER. The clerk will state the next committee amendment.

The next amendment of the committee was, on page 6, after line 22, to insert:

SEC. 5. Notwithstanding the provisions of the item entitled "Conservation and use of agricultural land resources", contained in the Department of Agricultural Appropriation Act, 1945, there is hereby authorized to be appropriated to the War Food Administrator an additional amount not exceeding \$20,000,000 for making payments, subject to the applicable provisions of the Soil Conservation and Domestic Allotment Act, as



amended, to producers to encourage an increased production of flax for the crop year 1945 and the Administrator is authorized to make commitments to the producers of such commodity accordingly in advance of the appropriation of the funds herein authorized.

The amendment was agreed to.

Mr. BUSHFIELD. Mr. President, I should like to ask the Senator in charge of the bill for a little further explanation concerning the flax program.

According to the provisions of the bill, it is the intent of the Congress, or was the intent at the time the law was first enacted, that the Board shall establish certain rates of premium which will eventually pay out. The only objection I ever had to this form of insurance was that we were facing a yearly loss because we had not established a premium sufficiently large to take care of the loss. I contended before the Committee on Agriculture and Forestry that the premiums should be large enough to make the program of insurance a self-sustaining one. Every Senator will agree that if a thing is self-sustaining it must be all right. I do not believe there would be an objector in the country to the program if it were self-sustaining. It is only when we run into a deficit of several million dollars over a period of a few years that everyone objects to the program, and I have no doubt that it was because of the loss sustained that the Appropriations Committee last year refused to appropriate further funds for the crop-insurance program.

I should like to have the Senator in charge of the bill explain the flax program. I was not present when the subject was finally passed upon. It is proposed to appropriate, or authorize, \$20,000,000 as incentive payments for the flax program, but the bill does not provide how the money shall be distributed or paid. Will the Senator kindly explain?

Mr. THOMAS of Oklahoma. Mr. President, the hearing disclosed the following facts, as I understood them: At the present time we are producing only a percentage of the flax necessary to serve the economic needs of the country. It was testified that when the war is over there will be a very heavy demand for paint. The people of the country, in the cities, and on the farms have not used very much paint because, first, they could not get it; and, second, if they had it they could not use it because they did not have the labor with which to spread the paint. So, it is thought that when the war is over there will be a heavy demand for paint in the cities and the country to improve houses and buildings. In order to obtain paint it is necessary to have linseed oil; to obtain linseed oil it is necessary to have flaxseed, and to get the flaxseed the flax must be grown. The hearings disclosed that there is no satisfactory substitute for linseed oil, and, if that be true, as I believe it to be, we must have the linseed oil in order to make the paint which will be needed when the war is over. In order to obtain the necessary linseed oil we must encourage and promote the production of flax so that the seed may be

available. I think the record shows that there will be needed approximately 60,000,000 bushels of flaxseed to make the linseed oil which will probably be required. In order to produce 60,000,000 bushels of flaxseed, about 6,000,000 acres of land will have to be planted to flax. The record shows that only about 3,000,000 acres of land are now contemplated to be planted to flax. That leaves 3,000,000 acres of land which will not be planted to flax, because it is more profitable in the flax-growing sections to raise corn, wheat, and other crops than it is to raise flax at present prices, although the present price is about \$3 a bushel.

Mr. BUSHFIELD. Mr. President, as I understand the record of flax acreage at the present time indicates a reduction of about 50 percent from 1943 to 1944. Am I correct in that?

Mr. THOMAS of Oklahoma. That is what the record shows.

In order to get the necessary flaxseed the Department recommends that funds be provided to make incentive payments in some form which will cause the flax to be produced. Incentive payments may be placed on the land on an acreage basis or they might be placed on the production on a bushel basis. That is a matter left to the discretion of the Board, which means to the discretion of the Agriculture Department.

The bill authorizes an appropriation of \$20,000,000, and, if the Appropriations Committee sees fit to appropriate that sum or any part of it, then the money will be made available to the Agriculture Department, to be used in the most effective manner to inspire the production of the additional flax which is deemed necessary.

Mr. REED. Mr. President, will the Senator yield?

Mr. THOMAS of Oklahoma. I yield to the Senator from Kansas.

Mr. REED. As a matter of fact, as the Senator from Oklahoma is well aware, this flax program is not really a part of the crop-insurance program which we are trying to reinstate. It is a separate thing, included in this bill because it was a convenient place to put it.

I come from the fifth flax-producing State of the country; North Dakota, Montana, South Dakota, Minnesota, and Kansas, I think, are in that order in the production of flax. In order to get flax it is necessary to have it planted. As the Senator from South Dakota suggested a moment ago the figures on acreage show a decrease of 50 percent. I am not a member of the committee, but, as I understand the program, this money is to be placed in the hands of the Department of Agriculture or the War Food Administration and is to be used in a program of inducing the planting of flax, which is the first step necessary to produce a crop.

Mr. THOMAS of Oklahoma. The Senator is correct. The War Food Administrator is very strongly supporting this program.

Mr. SHIPSTEAD. Mr. President—

Mr. THOMAS of Oklahoma. I yield to the Senator from Minnesota.

Mr. SHIPSTEAD. May I call the attention of the Senate to the fact that it is not only for paint that an unusual amount of linseed oil is needed but it is needed also in the war effort. I notice the bill contemplates 5,000,000 acres being planted to flax. The average crop of flax for the United States is about 8 bushels to an acre; 10 bushels is an unusual crop. If an average crop is produced, 5,000,000 acres would make 40,000,000 bushels. I am told by persons whose business it is to buy flax and turn it into linseed oil that the demand will amount to at least 60,000,000 bushels, and they claim that at least 6,000,000 acres will have to be put into flax.

We must remember that flax is a very risky crop. It is subject to more diseases and more hazards than any other crop of which I know. At present prices there is no incentive for farmers to take the risk of planting a crop of flax. They must buy the seed at \$4 a bushel, which is what the seed houses charge, and it takes three-quarters of a bushel of seed to an acre to put the crop into the ground.

I notice that \$20,000,000 is proposed to be appropriated by the bill to plant 5,000,000 acres. In order to obtain 60,000,000 bushels, it will require at least 6,000,000 to be planted to flax. I suggest an amendment to increase the \$20,000,000 to \$30,000,000, and let it go to the Appropriations Committee. That committee can then make further investigation with the Department of Agriculture and call in representatives of the paint industry and of the crushers who make a business of estimating how much is needed. If that be done, out of the \$30,000,000 proposed by my amendment whatever funds may be needed can be provided. Less can be expended if the full amount is not required, but certainly there should be a more careful investigation of the requirements and needs than, so far as I know, has been made by the Committee on Agriculture and Forestry.

I do not believe, on the basis of the information I have, that we can obtain the requisite production unless at least from four to four dollars and a half a bushel is offered for flax. I think an incentive price would do more than insurance or the payment of \$5 an acre for the planting of flax. The cost of planting an acre of flax would be about covered by the \$5, and then the farmer would take the risk of getting all the way from 5 bushels an acre to the highest possible, which is 10 bushels an acre. He can put in some other crops such as corn and soybeans and make much more money than he can by raising flax. Unless a special inducement is made, we will have to appeal to the farmers' patriotism and charity in order to get them to take the risk of increasing the normal supply of flax. I suggest that the amendment I have proposed be adopted and that the Senator in charge of the bill take it to the Appropriations Committee for the purpose of making a further examination into the needs.

The PRESIDING OFFICER. For the information of the Senator from Min-



nesota, the Chair will advise that the Senate has already adopted section 5, which is an amendment. Is there objection to a reconsideration of the vote by which section 5 was adopted?

Mr. THOMAS of Oklahoma. I have no objection.

The PRESIDING OFFICER. The Chair hears no objection, and the vote is reconsidered.

Will the Senator from Minnesota restate his amendment?

Mr. SHIPSTEAD. On page 7, line 4, I move to strike out "\$20,000,000" and to insert "\$30,000,000" in lieu thereof.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Minnesota [Mr. SHIPSTEAD] to the committee amendment.

Mr. WHEELER. I sincerely hope the amendment will be agreed to. As has already been said, Montana is the second largest flax producing State in the Union. What the Senator from Minnesota [Mr. SHIPSTEAD] has said about the production of flax is absolutely correct. Flax is produced in the northern part of Montana, to a large extent, when it is produced in the State at all, but because the farmers under present prices can make more money producing wheat than they can producing flax, they put their land into wheat and make the added revenue.

The farmers are not asking for an increase in the price of flax; the Government of the United States is asking that an increased amount of flax be grown, and the question is how we are to bring about increased flax production so as to meet the war needs of the Government. There is only one way, and in the Committee on Agriculture and Forestry, of which I am a member, I suggested that way would be to increase the price of flax to somewhere around \$4 or \$4.50 a bushel, as has been suggested today.

As the bill was reported to the Senate the figure was fixed at \$20,000,000. On the morning when we went into the committee to consider the bill, I had just received some letters stating that \$20,000,000 was not a sufficiently large appropriation to insure the production of an increased amount of flax, and I suggested that the figure be made \$30,000,000. Since that time I have received numerous letters, from processors and others, including farm organizations, in which I am informed that there will not be a chance in the world for the Government to get an increase in flax production unless the amount of money the Government will pay can be increased.

It is merely a question of how much the Government needs the increased amount of linseed oil. As has been said by the chairman of the Committee on Agriculture and Forestry, there is no good substitute for linseed oil, and the Government needs the linseed oil for paint; and paint is absolutely necessary for use in the war effort, for ships, and in other ways. So, I hope the suggestion of the Senator from Minnesota, that the authorization be made \$30,000,000 instead of \$20,000,000, will be agreed to. Then, when the matter comes before the Committee on Appropriations, I

think they should call in some of those interested besides the Government officials, and have a more thorough investigation, and if they find that \$30,000,000 is too much, they can at that time reduce the amount. But certainly the authorization should go through for \$30,000,000.

Mr. BUTLER. Mr. President, will the Senator from Oklahoma yield?

Mr. THOMAS of Oklahoma. I yield.

Mr. BUTLER. I should like to ask the chairman of the Committee on Agriculture, in charge of the bill, whether in his remarks he is indicating that the Department of Agriculture may want to use the \$30,000,000, which, I think, will be appropriated, as incentive payments to those who raise flax? Should we not rather advise the Department of Agriculture that they follow the same program they have now with reference to corn and wheat; in other words, as the Senator from Montana has just suggested, provide what amounts to a guaranteed price, by having a Government minimum or Government loan on flax, instead of complicating the matter by going through the old method of paying an incentive price on the acres planted, and so forth?

I hope the chairman of the committee may make such a recommendation, in the interest of simplicity, leaving it to the farmers of the country whether they wish to plant flax, wheat, or corn. If we leave it in that way, and later provided for a minimum price which will approximate the income on corn and wheat, I am satisfied there will be obtained a greater production of flax than by going through the complicated process of incentive payments.

Mr. THOMAS of Oklahoma. Mr. President, the Department of Agriculture came before the committee, through its representatives, and urged strongly that a program be placed in effect to promote the production of flax. So this is a part of that program. The authorization is for an appropriation for only the year 1945. Whatever amount is authorized, the authorization will expire at the end of the year 1945.

Mr. SHIPSTEAD. Mr. President, will the Senator from Oklahoma yield?

Mr. THOMAS of Oklahoma. I yield.

Mr. SHIPSTEAD. I agree entirely with the views expressed by the Senator from Nebraska, and I so stated to the Committee on Agriculture and Forestry. If the Department of Agriculture, after careful investigation, should determine the needs and the number of acres which should be planted, and should then set the price of flax at \$4.50 a bushel—which I am told by the crushers it should be; and I think it would take \$4.50 a bushel to bring about the required production—I believe we would do away with all the red tape, and the farmers would know definitely at the moment the program was announced what they would get for a bushel of flax, without any complication about so much an acre.

Let the farmer make up his mind how much flax he wants to plant. If he is guaranteed a price, he will determine that. Of course, the Committee on Agriculture and Forestry did not take that

view, and they may be correct. They acted on the recommendation of the Department of Agriculture. But I think the idea suggested by the Senator from Nebraska is worthy of further consideration by the Department of Agriculture.

Those in the industry whom I have consulted, those who make oil from flax, who know the business, who know the producers, who know the methods of production, and know where the areas of production are, tell me that they think a fixed price, if it is put at a reasonably high level, will do more to induce the farmer to produce flax than will any other program which can be arranged and at the same time will obviate a great deal of red tape.

Mr. BUTLER. Will the Senator from Oklahoma yield further?

Mr. THOMAS of Oklahoma. I yield.

Mr. BUTLER. What is the parity price on flax?

Mr. THOMAS of Oklahoma. I do not have the figure, but I can get it and put it into the RECORD.

Mr. SHIPSTEAD. Does the Senator from Nebraska mean the price now?

Mr. BUTLER. Yes.

Mr. SHIPSTEAD. I am told that the seed companies charge \$4 a bushel for seed. What the price is in the market I do not know.

Mr. THOMAS of Oklahoma. The Bureau of Agricultural Economics of the Department of Agriculture, in a report made public of date November 29, 1944, stated the parity or comparable price of flaxseed to be \$2.89 per bushel.

Mr. BUTLER. I am quite serious in wishing to avoid the complications which go along with incentive payments, and I think we will accomplish a much better result if we can arrive at a decision, while the pending bill is under consideration, that the Department of Agriculture should follow approximately the program they now follow with reference to all other crops, having a minimum price.

Mr. WHEELER. I made the suggestion in the Committee on Agriculture, that I thought the production of flax would be increased if a guaranteed price were fixed, because if there is to be a lot of red tape involved, the farmers will not be interested in producing flax. As I have said, the farmers are not asking for a price. Some persons entertain the idea that the farmers are here asking for an increased price on flax. That is not true. It is the Government itself which wants flax, and the farmers will not produce it unless they can make as much money by producing flax as by producing corn or some other crop. If the Government desires to have the production of flax increased, it will have to guarantee a price to the farmers, instead of undertaking by subtle processes to reach a result which in my judgment cannot be nearly so successful as if we say to the farmers, "Here is what we are going to give you for flax." Then the farmer will know what he is to get, and he will not only try to put more acres into flax, but he will try to produce more on the acres he has under cultivation.

Mr. BUSHFIELD. Mr. President, will the Senator yield?



Mr. THOMAS of Oklahoma. I yield.

Mr. BUSHFIELD. I wish to reiterate what the distinguished Senator from Montana has said. This is not a farmer's program at all. The Government wants linseed oil. The reason why the acreage of flax of the country dropped 50 percent over a 1-year period was that the producers of grain could make more money by raising other crops than flax. So, in order to obtain linseed oil, which is not only necessary to civilian but to war use, some method has to be followed whereby the producer can see in dollars and cents, as the Senator from Montana has said, how much it is going to mean to him if he changes his farming program for the coming year. I do not believe anyone objects to the suggestion that even in this bill, if the appropriate language can be selected, the exact price which will be given to the flax producers be fixed. The point, however, which the Senate must remember in passing upon this question is that it is the Government which wants the linseed oil, and it is the Government which wants the increased production.

Mr. LANGER. Mr. President, will the Senator yield?

Mr. THOMAS of Oklahoma. I yield.

Mr. LANGER. I speak from the experience we have had in North Dakota. In 1943 more than 10,000,000 bushels of flax were raised in North Dakota, and in 1944, roughly, about half that amount, or 5,000,000 bushels. Now the average farmer would much rather produce wheat, corn, barley, or oats, because he does not run so great a risk in producing those crops as he does in producing flax.

In my State, and I think it is true of South Dakota, and I know it is true of Montana, the farmer who produces flax does so at much greater risk than he takes in producing almost any other kind of crop. In the first place, after he has put in the seed, a late frost may come and wipe out the entire crop. If the frost comes at a particular time the crop is entirely ruined, and a crop cannot be obtained, even though the field be reseeded, because it is too late. In addition to that, there are many kinds of flax which are not wilt-proof. Prof. H. L. Bolley, of the Agricultural College of North Dakota, developed a wilt-proof flax, which was used all over the country, but that strain has almost worn out. We have been receiving flax seed from Argentina and Canada, some even from Russia, which has been used, but every time we bring in such seed a new risk for the farmer arises. He cannot tell whether it will do well or not.

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

Mr. LANGER. I yield.

Mr. SHIPSTEAD. As a matter of fact, the United States has never raised enough flax for its own requirements. We have to import millions of bushels from Argentina. Transportation during the war has been and will continue to be very uncertain. Many people cannot understand why there should now be the urge for increased flax production. The need for increased production rises not only because of war demands but be-

cause of shortage due to lack of imports of flax.

Mr. LANGER. Then there is the further point, Mr. President, that after the flax is cut, after it is left to lie in windrows it is much more apt to spoil than would wheat which is put up in shocks. Flax molds, and if flax freezes a little bit it turns black, and then promptly the elevators, when they buy it, dock it very much, sometimes almost as much as half, because it is not of the right color, even though it produces approximately the same amount of oil. That is why the average farmer does not care to raise flax if he can possibly raise some other kind of crop.

Mr. THOMAS of Oklahoma. Mr. President, inasmuch as this section limits the authorization to the crop year of 1945, and further that a showing will have to be made to the Committee on Appropriations in connection with the bill which comes under the jurisdiction of the Senator from Georgia [Mr. RUSSELL] I have no objection to the adoption of the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Minnesota [Mr. SHIPSTEAD] to the committee amendment.

The amendment to the amendment was agreed to.

The amendment, as amended, was agreed to.

Mr. LA FOLLETTE subsequently said: Mr. President, in connection with the amendment offered by the Senator from Minnesota [Mr. SHIPSTEAD] to increase the amount to \$30,000,000, which I favor, I have sent to my office for three telegrams, which I now have before me, from constituents in Wisconsin, urging this action. I ask unanimous consent that the telegrams be printed in the RECORD following the action of the Senate in adopting the amendment.

There being no objection, the telegrams were ordered to be printed in the RECORD, as follows:

MILWAUKEE, WIS., December 11, 1944.  
Senator ROBERT M. LA FOLLETTE,  
Senate Office Building,  
Washington, D. C.:

Because the flax-seed crop in the United States dropped from 52,000,000 bushels in 1943 to 25,000,000 bushels in 1944 the paint industry, which consumes from 50 to 70 percent, faces a severe shortage. Little or no seed is available from Argentina as in the past, due to State Department restrictions on American shipping. Something must be done to induce the American farmer to plant more flax. We suggest raising the incentive to the farmer from \$20,000,000 to \$35,000,000 to encourage additional acreage. Paint is needed in war, lend-lease, and for the protection of \$250,000,000,000 of the Nation's taxable wealth. Your cooperation in this matter will be greatly appreciated.

T. C. ESSER Co.,  
A. W. ESSER.

MILWAUKEE, WIS., December 11, 1944.  
ROBERT M. LA FOLLETTE,  
United States Senator,  
Washington, D. C.:

As paint manufacturers, we urgently solicit your efforts in behalf of supporting an adequate incentive to farmer flax growers, so that we may obtain our vitally needed linseed oil, and to consider stopping the fur-

ther exportation of this oil for lend-lease. Flax is not a Wisconsin crop, yet linseed oil is vital to Wisconsin.

PATEK BROS., INC.

PITTSBURGH, PA., December 11, 1944.  
The Honorable ROBERT M. LA FOLLETTE, Jr.,  
United States Senate,  
Washington, D. C.:

As paint manufacturers, we are much concerned about the future supplies of linseed oil. Farmers seem lacking in interest. Agricultural Department work is not very effective. We urge you support any reasonable measure that will encourage planting of at least 6,000,000 acres of flax.

PITTSBURGH PLATE GLASS Co.

The PRESIDING OFFICER. The clerk will state the next committee amendment.

The next amendment was, on page 7, after line 10, to insert the following:

SEC. 6. For the administration of the Federal Crop Insurance Act, as amended, including amendments made by this act, there is hereby made immediately available for the remainder of the fiscal year ending June 30, 1945, as an additional amount, not in excess of \$3,000,000 of the unobligated balances of the funds appropriated for carrying out the provisions of the Federal Crop Insurance Act for the fiscal years 1943 and 1944, and such amount thereof as may be required shall be available for deposit to the general fund of the Treasury for the cost of penalty mail incident to the crop-insurance program as required by section 2 of the act of June 28, 1944 (Public Law 364, 78th Cong.). The provisions in the items entitled "Federal Crop Insurance Act" contained in the Department of Agriculture Appropriation Act, 1944, and the Department of Agriculture Appropriation Act, 1945, are hereby repealed.

The amendment was agreed to.

The PRESIDING OFFICER. That concludes the committee amendments.

#### MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. McLeod, one of its clerks, announced that the House had agreed to the amendment of the Senate to the bill (H. R. 2874) for the relief of Robert Will Starks.

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 1963) for the relief of G. H. Garner; asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. KEOGH, Mr. ABERNETHY, and Mr. JENNINGS were appointed managers on the part of the House at the conference.

The message further announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 3961) authorizing the construction, repair, and preservation of certain public works on rivers and harbors, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. MANSFIELD of Texas, Mr. PETERSON of Georgia, Mr. BELL, Mr. CARTER, and Mr. DONDERO were appointed managers on the part of the House at the conference.

#### ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:



S. 1638. An act to authorize the Secretary of Agriculture to compromise, adjust, or cancel certain indebtedness, and for other purposes; and

S. 2205. An act to authorize the dissolution of the Women's Christian Association of the District of Columbia and the transfer of its assets.

#### CROP INSURANCE

The Senate resumed the consideration of the bill (H. R. 4911) to amend the Federal Crop Insurance Act.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. MAYBANK. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. At the proper place in the bill it is proposed to insert the following:

SEC. —. The first sentence of the twelfth paragraph of section 19 of the Federal Reserve Act, as amended (relating to the payment of interest by member banks on demand deposits), is amended by inserting before the period at the end thereof a colon and the following: "Provided further, That this paragraph shall not be deemed to prohibit the absorption of exchange or collection charges by member banks."

Mr. MAYBANK. Mr. President, I rise to urge the adoption of my amendment, which is identical in language with House bill 3956, already passed by the House. As Senators all know, I have been enthusiastic in my support of the program to aid small business. Many of us have done all we could to help small business, and here is an opportunity for us to render assistance to the small banks of the United States. The adoption of my amendment will mean a great deal to all our small banks, and particularly those in the rural areas.

For years these small banks have been charging a modest fee for remitting funds to distant centers. The general public was more or less unaware of these charges as they were typically absorbed by correspondent banks. This time-honored practice was upset last year by one of the most bureaucratic rulings which has ever come to my attention. The Board of Governors of the Federal Reserve System has attempted to outlaw absorption of exchange under the guise of an interest rate regulation.

On August 23, 1943, the Board issued an opinion that in a particular case the absorption of exchange charges by a designated bank, was a payment of interest on demand deposits and was therefore a "violation of section 19 of the Federal Reserve Act and of the Board's regulation Q." Although this opinion was published in the September issue of the Federal Reserve Bulletin as an opinion in a particular case, the Federal Reserve banks began a vigorous campaign of enforcement which as a practical matter made this a general ruling in spite of the fact that the Board continued to maintain that this was a ruling in a particular case.

This interpretation is serious since the effect of the ruling is to require that exchange charges be passed back to the customers of a bank which puts the bank in an extremely difficult position. The

banks do not wish to incur the ill will of their customers, but they need the income badly. The small banks of the country, that is those having less than \$1,000,000 of deposits, have not shared in the general increase in bank earnings, and if exchange is lost to them, they must search for other sources of income or go out of business. In many cases there will be a tendency to impose heavier service charges on demand deposits if the regulation remains unchanged.

The small banks of the country immediately sensed that the new interpretation of regulation Q was an attempt to force universal par clearance in direct violation of the expressed will of Congress. Representative PAUL BROWN, of Georgia, and I introduced identical bills in the House and Senate respectively in January 1944.

These bills merely provide that the law as it stands would not be deemed to prohibit the absorption of exchange or collection charges by member banks. Extensive hearings were held on the subject of the absorption of exchange charges before the Committee on Banking and Currency of the House of Representatives on 19 different days between December 10, 1943, and February 9, 1944. On March 2, 1944, the Brown bill was passed by the House, and on March 3 came before the Senate and was referred to the Committee on Banking and Currency.

The opinion that absorption of exchange charges is a payment of interest is not only unreasonable but is a complete distortion of the law. It is unreasonable because if the absorption of exchange charges is a payment of interest, then every absorption of expense in connection with a demand deposit is likewise an interest payment. Yet one of the major characteristics of the banking system today is the absorption of expense in connection with demand-deposit accounts. Every such account causes expense to the bank concerned, but the banks do not charge that expense to the depositor if the account is sufficiently large. The banks are willing to absorb the expense as a reward for the account. If a bank refused to absorb expense in connection with an account which was worth the expense to the bank, some other bank would be willing to do so and the account would be transferred to the second bank. Thus the first bank must compete for the account by absorbing the expense. This competition is a good thing. It would be an injustice to the public for the banks not to absorb such expense to the extent that the accounts are valuable to them. Any other practice would produce a monopoly profit to the banks.

So far as I know no one is proposing generally to prohibit the banks from absorbing expenses connected with demand-deposit accounts. So far as I know no one is proposing to rule that unless a bank makes a service charge to cover any and all expenses incident to a demand-deposit account, no matter how large that account may be, it will be considered to be paying interest on a demand deposit. Thus the Board of

Governors of the Federal Reserve System has chosen to rule that the absorption of one particular kind of expense is a payment of interest, but absorption of other expense is not a payment of interest. The law under which this ruling is made does not warrant this construction. Either no expense may be absorbed or any expense may be absorbed without violation of the law. This discriminatory ruling will therefore have the effect of improving the income of the large banks at the expense of the small country banks. An arbitrary and inconsistent ruling such as this should not be permitted to strike at the small banks, one of the most vital parts of the small-scale democratic element of our economic system.

A ruling discriminatory between various kinds of expense absorbed in connection with demand deposits involves gross inequities. Under such a situation the banks may compete for the deposits of the great corporations of the country. They may absorb expense without limit as a reward for the deposits of great corporations. The bank which gives the best service; that is, absorbs the most expense, will get the deposit and the great depositors will profit. But the ruling of the Board of Governors provides that one type of expense, namely, the absorption of exchange, is illegal. The singling out of this one charge, and passing it back through the many channels through which the check has passed makes it such a nuisance that it effectively prevents the banks from imposing such a charge. This in effect forces par clearance.

If the Congress feels that par clearance should be forced upon the banks of the country—for a hundred years it has repeatedly refused to take such a step—then it should do so explicitly. I am confident that in passing the Banking Acts of 1933 and 1935 it had no such intention. The will of Congress should not be thwarted by an administrative ruling which without rhyme or reason judges absorption of one bit of expense to be payment of interest while judging absorption of other expenses not to be payment of interest.

In conclusion, I urge that this amendment be adopted, and that this arbitrary, unfair, and unanticipated opinion of the Board of Governors of the Federal Reserve System, which hit the small banks like a bombshell, be nullified. The non-par banks and the small banks came before Congress as soon as possible, but the pressure of the great problems before Congress has delayed action for more than a year. If this Congress goes out of existence without having corrected the injustices which have been perpetrated, it may be too late ever to correct this great mistake. If this amendment dies, we may expect another wave of arbitrary bureaucratic harassment of the small banks, and thereby of other small businesses, from which they may never recover.

Mr. THOMAS of Oklahoma and Mr. BUTLER addressed the Chair.

The PRESIDING OFFICER. Does the Senator from South Carolina yield, and, if so, to whom?



Mr. MAYBANK. I yield first to the Senator in charge of the bill for a question.

Mr. THOMAS of Oklahoma. Mr. President, I should like to be recognized to make a statement.

The PRESIDING OFFICER. Does the Senator yield to the Senator from Oklahoma for that purpose?

Mr. MAYBANK. Provided I do not lose the floor.

Mr. THOMAS of Oklahoma. Mr. President, I thank the Senator from South Carolina. This amendment embodies the text of a bill which is now pending before a committee of the Senate. The Committee on Agriculture and Forestry has no jurisdiction over the subject matter. The bill mentioned is now under consideration by the Committee on Banking and Currency, and I am advised that that committee has been holding hearings and is now holding hearings on the bill. Inasmuch as the amendment was not presented to the Committee on Agriculture and Forestry, and inasmuch as my committee has no jurisdiction over the subject matter, and because the amendment is very controversial, of course, as the Senator in charge of the bill, I have no authority to accept the amendment.

In addition to the fact that I am unable to accept the amendment, let me say that the bankers of my State are, as a rule, against the proposal. I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks a number of telegrams from bankers in Oklahoma who have expressed themselves in opposition to the amendment.

There being no objection, the telegrams were ordered to be printed in the RECORD, as follows:

OKLAHOMA CITY, OKLA., December 12, 1944.

Senator ELMER THOMAS,  
Senate Office Building:

We oppose amending provisions of Maybank bill to Federal crop-insurance bill.

D. W. HOGAN, Jr.,  
Vice President, City National  
Bank & Trust Co.

HENRYETTA, OKLA., December 12, 1944.

Senator ELMER THOMAS,  
Senate Office Building:

Oklahoma bankers definitely opposed to Maybank bill and want hearing on bill. Your votes to defeat bill will be appreciated.

R. B. PATTON,  
Vice President, American Exchange  
Bank, Henryetta, Okla.

CLEO SPRINGS, OKLA., December 12, 1944.

Hon. ELMER THOMAS,  
United States Senate Chamber,  
Washington, D. C.:

We oppose Maybank bill as amendment to any bill. Hearing should be held on Maybank bill.

CLEO STATE BANK,  
R. W. WEAVER, Cashier.

OKLAHOMA CITY, OKLA.,  
December 11, 1944.

Senator ELMER THOMAS,  
Senate Office Building,

Washington, D. C.:

We oppose any effort to ride the Maybank bill through as an amendment to H. R. 4911.

Please ask for hearings on Maybank bill so dangers involved can be pointed out.

FRANK A. SEWELL,  
President, Liberty National Bank.

TULSA, OKLA., December 9, 1944.

Senator ELMER THOMAS,  
Senate Office Building:

Retailers opposed to Maybank bill (S. 1642) which would encourage increased charge for clearing checks. Please vote against it.

J. C. RAYSON,  
Secretary, Tulsa Retail  
Merchants' Association.

Mr. VANDENBERG. Mr. President, with great respect for the able Senator from South Carolina [Mr. MAYBANK] and the earnestness with which he presents this amendment, I am bound to say, as plainly as I know how, that in my opinion it would authorize and condone by law a resumption of bad banking practice, which had a great deal to do with the banking disaster of a decade ago. I believe that Senators who are charged with the responsibility of this decision should inquire very carefully into the consequences of the adoption of this amendment before they give it the slightest hospitality whatever.

Mr. BUCK. Mr. President, will the Senator from Michigan yield to me for a brief statement?

Mr. VANDENBERG. I yield.

Mr. BUCK. Mr. President, I sincerely hope that the amendment offered by the distinguished senior Senator from South Carolina [Mr. MAYBANK] will not be concurred in. It covers an extremely controversial subject, and so far as I know it has no bearing on the bill to which it has been offered as an amendment.

As a member of the Committee on Banking and Currency, I should like to say that at this time hearings are being held on the bill which is the subject of the amendment of the Senator from South Carolina. The next hearing is scheduled to be held at 2 o'clock this afternoon. It seems to me that the amendment should be laid on the table until the Committee on Banking and Currency has had an opportunity to act upon the bill. I hope that may be done.

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. McCLELLAN in the chair). Does the Senator from Michigan yield to the Senator from Minnesota?

Mr. VANDENBERG. I yield.

Mr. SHIPSTEAD. I feel that it is my duty to join in the opinion which has been expressed by the Senator from Michigan, the Senator from Oklahoma, the Senator from Delaware, and other Senators, namely, that for the present the amendment of the Senator from South Carolina should not be agreed to. Suggestion was made that we await the report of the Committee on Banking and Currency, which is examining the bill which is the subject of the amendment, in order that we may have the benefit of the hearings and the committee's views of this problem.

The subject of the measure is, of course, of widespread interest. I wish to say that I believe the amendment

should not be agreed to at this time. I make that statement with all due respect for the senior Senator from South Carolina [Mr. MAYBANK], for whom I have a very high regard.

Mr. VANDENBERG. Mr. President—

Mr. MAYBANK. Mr. President, will the Senator yield to me?

Mr. VANDENBERG. I should like to present my view on this matter, Mr. President. But the able senior Senator from South Carolina, who is the author of the measure, certainly is entitled to reply to what has been said, I suppose.

Mr. MAYBANK. Mr. President, I merely wish to say a word with respect to the statement that hearings are now being held. Of course, that statement is correct. But I wish to call attention to the fact that in January 1944, I rose on the floor of the Senate and said that I wished to have action taken on the bill, but that I was told that hearings would be held on it. My distinguished friend the Senator from Delaware [Mr. BUCK] will agree that on many occasions I brought up the bill in committee. The purpose of the bill is to determine whether 2,500 small banks in the United States shall be able to continue in operation. I wish to call the attention of the Senate to the fact that on January 12, 1944, the bill which is the subject of the amendment was introduced in the Senate by me.

Mr. VANDENBERG. Mr. President, I can understand the feeling of the able senior Senator from South Carolina about the delay with which he is confronted in connection with his measure, and I entirely sympathize with him. I agree that hearings on the measure should have been held long ago and that long since the matter should have come to issue. But the fact that one mistake may have been made is no reason why we should multiply the mistake by 10,000, which would be the net result of the measure, in my judgment, in its impact upon sound banking up and down America, if the amendment were to be attached to the pending bill.

Mr. HAWKES. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. HAWKES. I thank the Senator.

Mr. President, I agree with what the Senator from Michigan has said regarding the amendment and the question of considering and acting upon it at this time. I happen to be a member of the Committee on Banking and Currency. The committee is now holding hearings on the measure. If I had to vote at once, without awaiting completion of the hearings, I should have to vote against the amendment.

I wish to record here that the Bankers' Association of New Jersey without exception opposes the bill which is the subject of the amendment, and believes that it would be a backward step in the banking practices of the Nation.

I have a very deep feeling for my friend the senior Senator from South Carolina. I realize that he would like to have action taken on his measure. But I call his attention to the fact that his



bill is not the only one which has been held up. There is one bill which has been before the House of Representatives and the Senate for 6 years. It has been passed twice by each body, and yet it is still awaiting action by the Senate. The people of the United States are interested in having it acted upon.

So, while I have deep sympathy with the Senator, I must say that, in justice to the Committee on Banking and Currency and in keeping with what I consider to be good practice in the enactment of legislation, I do not believe the amendment should be attached at this time to the pending crop-insurance bill.

Mr. VANDENBERG. Mr. President, I wish to state as concretely as possible the objection to this measure. If I may proceed at least briefly without interruption, perhaps my statements will be more consecutive, if nothing more.

In the first place, I wish to present an exhibit from the distinguished senior Senator from Virginia [Mr. GLASS]. He has not been present with us in person for some time; but so far as judgments respecting sound banking are concerned, his spirit will live with us as long as any of us are on earth.

The Senator from Virginia wrote to the Senator from New York [Mr. WAGNER] under date of February 1, 1944, as follows regarding the pending measure:

My attention has been called to S. 1642, introduced by Mr. MAYBANK, and a companion bill in the House, H. R. 3956. This proposed legislation, in my judgment, would entirely emasculate the statute prohibiting the payment of interest by banks on demand deposits, which, you will remember, I fought for and obtained in the Banking Act of 1933. Senator MAYBANK's bill would authorize member banks to pay interest by absorbing exchange charges made by a comparatively small group of banks which do not pay their checks at par. Member banks of the Federal Reserve System cannot even make these charges nor do the nonmember banks who participate in the par clearance system.

Then the Senator from Virginia said:

The bill is rankly discriminatory and lacking in frankness. Its enactment could have vicious and far-reaching effects upon the Federal Reserve System, both in the number of member banks and in the perpetuation of a par clearance system which has saved the Nation's industry, commerce, and agriculture millions upon millions of dollars. I am unalterably opposed to the bill.

Sincerely yours,

CARTER GLASS.

Mr. President, in my own humble opinion the statement made by the Senator from Virginia is not exaggerated. Following the banking tragedy of more than a decade ago, a serious effort was made on the responsibility of the Congress to correct some of the banking evils which were contributing factors to the debacle which overtook not only the banking system but the economic system of the country as a result of what happened in the early 1930's. One of the principal things done to correct the evils which had contributed to unsound banking was to amend the Federal Reserve Act by adopting section 19, which reads as follows:

No member bank shall, directly or indirectly, by any device whatsoever, pay any

interest on any deposit which is payable on demand.

Mr. President, I repeat that in that single sentence a rule was established which met one of the major evils which had caused banking instability, that major evil being a competition between banks for business on the basis of an auction sale. I think there was no disagreement anywhere in America, in financial circles or in any other circles, with the view that Congress had taken a far step forward when it wrote this single mandatory sentence into the banking laws of the country; namely—

No member bank shall directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand.

Mr. President, I wish to submit that the pending amendment, no matter how worthy its incidental purpose may be, is an effort by indirection, as the senior Senator from Virginia has said, to emasculate this protection of the banking system of the country. When I speak of the banking system I am not speaking of the banks; I am speaking of the millions of depositors whose interest is the final stake.

Mr. President, I believe I can most briefly present the matter by largely confining myself to a very able, illuminating, and significant memorandum on the subject which was prepared by the banking and finance committee of the Detroit Board of Commerce. Referring to the amendment to the Federal Reserve Act, which I have twice quoted, the memorandum says:

This sound action was taken because it corrected one of the outstanding evils of the banking business.

Mr. President, I know something about the banking business. I have had intimate relationships with it myself. I know that one of the outstanding evils was the precise thing which was corrected, and the protection against it is now being sought to be destroyed.

I continue reading from the memorandum:

Payment of interest on demand deposits has created an unhealthy competition for deposits, and was one of the most important factors leading to the bank holiday.

Mr. President, we cannot blink that fact. There it stands.

The proposed legislation would make the amendment void by legalizing absorption of exchange. As an example, Mr. Zilch, of Fredonia, Ala., buys goods from John Smith & Co., of Chicago, to the extent of \$1,000, giving John Smith & Co. his check for \$1,000, drawn on the bank in his home town. John Smith & Co. deposits this check in its bank account in Chicago, which forwards it for collection to the bank in Fredonia, Ala., on which it was drawn. This local bank charges \$2 for collecting a check drawn on it and remits \$998 to the Chicago bank. The Chicago bank, however, gives John Smith & Co. credit for the full \$1,000. The Chicago bank does this because John Smith & Co. carries a large balance with it, and the bank wants to keep this profitable connection.

This one sample transaction is, of course, multiplied by thousands because of the numbers of checks which John Smith & Co., and other concerns, receive from nonpar banks,

and the Chicago bank absorbs many thousands of dollars per year in order to help it retain their business. In other words, out of its own pocket the bank would pay out money for its customers for the purpose of holding and using the customers' balances. Clearly this is a device to pay interest indirectly.

Mr. President, whatever we think should ultimately be done in respect to this situation, at least the naked fact cannot be disguised. This is a device to defeat the amendment written into the Federal reserve law to protect American depositors, as the result of an experience which led in part to the bank holiday.

I read further from the memorandum:

The progress in constructive banking legislation has been slow because of the pressure which has been exerted by minority groups.

That is the situation today. With great respect I repeat that this amendment is offered in behalf of a minority group, and I shall presently indicate to what an amazing extent it is a minority group.

Almost every gain made in the past 20 years has been the result of difficult and persistent effort and it would indeed be a serious setback to these slowly won gains in conservative bank procedure should this bill become law.

I read further from the memorandum:

3. This legislation is fostered by a small group representing about 2 percent of the total deposit liability of the country.

Mr. President, let us stop there for a moment. Even though this new device may be of some localized importance in respect to 2 percent of the deposit liability of this country, I respectfully suggest that no matter how persuasively the cause of 2 percent of the banking in this country may be urged, it would be fantastic for us to sacrifice any share of the stability and solidarity of 98 percent of the banking on that account.

Again I revert to the memorandum:

The banks—

Referring to the 2 percent—

are located mostly in a few Southern States and they claim they cannot exist without having the absorption of exchange thus legalized. There are 6,700 member banks in the Federal Reserve System, which must clear at par.

That means they could not take advantage of any such device.

There are 6,700 member banks in the Federal Reserve System which must clear at par, and in addition there are 4,800 nonmember banks which do remit at par. It does not seem reasonable that some 2,500 small nonpar banks should be permitted to change a conservative, sound banking principle believed in by 11,500 banks controlling 98 percent of the deposits of the Nation.

Competition between the banks for business should be on a basis of soundness of the institutions, caliber of their managements, and quality of their services rendered, rather than on a basis of premiums offered, such as absorption of exchange.

Mr. President, I digress here to emphasize that point and to dwell very briefly upon it. Competition between banks should not be based upon the offering of premiums for business which, in net effect, is bidding for business



which it in turn produces. As I said in the beginning of my remarks, it is an auction sale in respect to the stability of the American banking system. I revert to the memorandum:

4. Absorption of exchange, if legalized, could become so general that par banks, knowing they could charge exchange without fear of their customers' reaction, would be tempted to go off the par list. There would be a strong tendency for State member banks to withdraw from the Federal Reserve System—

I apprehend that that, among others, is one of the reasons why the Federal Reserve System is so deeply hostile to the pending proposal.

I continue reading from the memorandum:

There would be a strong tendency for State member banks to withdraw from the Federal Reserve System and for national banks to surrender their national charters and become State banks to obtain what has been described as "the easiest and most profitable nonrisk revenue which a bank can receive."

To what limits no-par banking would extend cannot be foreseen; however, it is certain that it would not remain static. The present system of par collection of checks was an outgrowth of a crying need for an efficient system as against an old organized, cumbersome catch-as-catch-can system with roundabout routing, delayed presentation, kiting, and pyramiding of balances.

I interrupt the reading again to say that every one of those vices was inherent in the old system and is inherent in the resurrection of any paraphrase of the old system such as we are here invited to make.

The use of normal par clearing channels has been adopted by 98 percent of the deposits of the whole country. There should be a continued development of the free flow of checks as a medium of exchange between banks without discount penalty or other impediments.

5. If there is any business in the land which should be above reproach, it is the business of banking with the high ethical relations which it must exemplify not by mere lip service or pretense but by actual practice. When a deviation from honest, straightforward procedure is made and is given the blessing of law by the Congress of the United States—

I interrupt to say that, in my judgment, that is the precise invitation which we now confront—

it immediately encourages the exploration of adjacent twilight zones.

If groups can point to the legalization of the absorption of exchange for the use of deposits as an indication that Congress intends to let down the bars—

Mr. President, let that sink in. This will be interpreted as a purpose of Congress to let down the bars against bad banking which we put up in our days of travail and trouble.

If groups can point to a legalization of the absorption of exchange for the use of deposits as an indication that Congress intends to let down the bars, it will soon be inferred that the bars are down in other directions. If the opportunity for this to happen is afforded, then in banking we are retrogressing.

Mr. McKELLAR. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Tennessee?

Mr. VANDENBERG. I yield.

Mr. McKELLAR. I merely wish to ask for some information. Has not this custom prevailed for the last 10 or 15 years?

Mr. VANDENBERG. The custom prevailed very generally prior to the banking collapse and was one of the contributing factors to it.

Mr. McKELLAR. I am not so sure about that, but, as we know, it has prevailed since that time.

Mr. VANDENBERG. Let me complete my answer. The Federal Reserve Act was amended directly and specifically and categorically to prevent "by any device whatsoever the payment of any interest on any deposit which is payable on demand."

Mr. McKELLAR. I understand that.

Mr. VANDENBERG. Very well. What the Senator is saying is that a practice has grown up in 2 percent of the banking of this country, as a maximum—it cannot be more than that—which has found a way to circumvent in net result that provision of the law. So, if the Senator's question is, Is that prohibition being indirectly evaded? the answer is "Yes; in a very small and limited way." The present effort is to legalize that evasion in a small sector and license it in the complete sector.

Mr. McKELLAR. When was that act passed?

Mr. VANDENBERG. I think it was passed in 1933 or 1934.

Mr. McKELLAR. And ever since that time the practice of the large banks absorbing exchange has been in vogue. Have not those 10 or 12 years been the best years in the banking history of this country?

Mr. VANDENBERG. The Senator's question would indicate that he has not listened to one word I said to him when I answered his other question.

Mr. McKELLAR. I did not think that was an answer. I do not think the provision is a prohibition. But the Federal Reserve System has gone on for more than 10 years without any protest whatever against the custom that grew up and now at this late date when the banking business is on the best foundation it has ever been in the history of the country, so far as I know, the Board makes this ruling which will do away with the custom which it has permitted for more than 10 years.

Mr. REVERCOMB. Mr. President—

Mr. VANDENBERG. Just a moment. I desire to answer the Senator from Tennessee categorically. The Senator from Tennessee asks, have we not a fine banking prosperity today as a result of what has happened in the last 10 years and therefore why we should not maintain the factors which have contributed to the fine situation. My answer to the Senator is that the fine banking conditions which have been created in the past 10 years were created by eliminating the evils which cursed banking prior to the Federal Reserve Act of 1933; and only 2 percent of the total deposit liability of the country during these 10 years has had anything whatsoever to

do with the practice referred to in this amendment. The great mass banking prosperity—or stability is the better word because banks are far from prosperous in these days in relative terms—the great banking stability which has been created has been created by the practices which have been required of 98 percent of the deposit liability banks of the country. The Senator is asking me to say that the rule of conduct which is responsible for 98 percent of the stability to which he so happily refers shall be stricken down for the benefit of 2 percent of the bank deposit liability.

Mr. McKELLAR. I will change my question.

Mr. VANDENBERG. I think the Senator had better do so.

Mr. McKELLAR. I will ask the Senator this question: Has not the Federal Reserve Board acquiesced in this matter for more than 10 years and up until a short time ago? If it was a violation of law, if it was an implied violation of the law, if it was any other kind of violation of law in the view of the Federal Reserve Board, why have they not made themselves vocal before this?

Mr. VANDENBERG. The Senator will have to address that question to the Federal Reserve Board. I presume that the practice began in a very mild fashion and grew from year to year, as one after another institution discovered that some other fellow had succeeded in bidding away the banking account of a good customer and, as a result, he had to compete by engaging in the same evil practice. So finally the practice reached such a point, even though it still only involves 2 percent of the bank-deposit liability of the country, that the Federal Reserve Board said "This has got to stop," and now Congress is asked to say it shall not stop but it shall be legalized in spite of the opposition of the major banking intelligence of the country and in spite of the inevitable welfare of 98 percent of the bank-deposit liability of the Nation.

Mr. GEORGE. Mr. President, will the Senator from Michigan yield to me?

Mr. VANDENBERG. I yield.

Mr. GEORGE. I remind the Senator that this fight has been going on for about half a century, that it is nothing new. It is the old par clearance fight. No one has jumped up overnight and taken any advantage of the reserve system. It is true that a small percentage of the deposits represent another view, contrary to the view now being expressed by the Senator. That is because many of the large banks are against the little fellow. It is difficult for the small bank to survive under existing conditions. The small banker does not live around the corner from a Federal Reserve bank, to which he can go and get his money and pay no express on it. He is operating a little bank in some remote county town, or little town far removed from a large commercial center, and he has been following this practice a long time.

Mr. VANDENBERG. I quite agree with the Senator.

Mr. GEORGE. Another thing—

Mr. VANDENBERG. Let me comment at that point, if I may. I quite agree that this is an old fight. I quite



agree that this practice was more or less universal prior to the last banking collapse which we confronted, and I quite agree that since the Federal Reserve Act was amended to remove this threat and menace to the soundness of total banking in this country, there still is a group of banks which need revenue which it is difficult for them to obtain, and I deeply sympathize with their necessity. But I know of no reason why a small bank in a small town in South Carolina should, by special privilege of this nature, be able to bid against the banks of the United States for business which ultimately produces for them a deposit total utterly out of line with anything which would be normal.

Mr. GEORGE. I doubt if the Senator could sustain the thesis that this practice was one of the main causes of the bank debacle.

Mr. VANDENBERG. I did not say that. I said it was one of the major evils which had to be corrected.

Mr. GEORGE. I doubt if even that could be sustained. I remind the Senator that Mr. Crowley, who is at the head of the Bank Insurance Department of the Government, is in favor of the bill.

Mr. VANDENBERG. I understand that.

Mr. GEORGE. He has some sense of responsibility.

Mr. VANDENBERG. I understand that.

Mr. GEORGE. But he is not representing the big banks, that is all, and he is willing for the little fellow to live.

Mr. VANDENBERG. I agree that Mr. Crowley has a right to his opinion, and that his opinion is entitled to great respect, and I have great respect for it. I have equal respect for the opinion of the Senator from Georgia. But that does not alter the fact that I think Mr. Crowley and the Senator from Georgia are amazingly wrong in this instance. I cannot help it, but that happens to be my opinion.

Mr. GEORGE. The Senator is entitled to his opinion, and I know that is the opinion—though I do not connect the Senator with the group—of many great banks in this country. There is no doubt about that. If they are right about it, and if they are patriotic enough to allow the little banks to pursue a practice which they have always pursued, the system will not be destroyed. I think 2 percent did not exactly destroy the system; that would be a small fraction of the tail wagging the dog, and I never did believe they did destroy the whole system.

I know how the big banks stand. I had some little connection with banking at one time myself, and I have heard the big fellows say, "These little country banks are eating us up." So they raised the old par clearance question, and went through the courts for years. This is an ancient question, and those of us interested in the little banks of the country, as well as the big ones, merely want to restore a permissive practice which I do not think will destroy the Federal Reserve banking system.

Mr. VANDENBERG. Mr. President, I am very sorry that the issue is diverted

to the atmosphere of a quarrel between big banks and little banks, and the inference, at least, is unintentionally invited that the statements I make are on behalf of the big banks of this country.

I need no added credentials as a spokesman for the little banks of the country, because in the course of all the banking legislation since I have been a Member of the Senate, for 16 years, I have fought against chain banking, which has been the highest heart aim of the big banks. So, in view of my unyielding record against chain banking and in favor of the little banks, I doubt very much whether an argument can be sustained which invites any conclusion that my statements at the moment are inspired by any interest in big banks. On the contrary, I repeat, I am speaking for 11,500 banks which under the law cannot do the thing contemplated, and which they do not want others now to be licensed to do.

Mr. WEEKS and Mr. REVERCOMB addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Michigan yield, and if so, to whom?

Mr. VANDENBERG. I yield first to the Senator from Massachusetts, and then I shall yield to the Senator from West Virginia.

Mr. WEEKS. Mr. President, it is a long cry; it seems to me, to depict this as a contest between big and little banks. I draw the attention of Senators to the fact that in 20 States of the Union there are no banks which do not cash checks on a par clearance basis. In 7 more States there is only 1 bank, in each of those particular States, which does not clear checks at par.

In the 20 States, and the 7 others where only 1 does not clear at par, there are many small banks, just as many small banks, I doubt not, as there are in those States where the majority of small banks do charge exchange. I think it is an unwarranted reflection upon the management of the small banks to which the distinguished Senator from South Carolina has drawn attention, to imply that their earnings would be in jeopardy if they did not have the exchange charges to rely upon.

Mr. MAYBANK. Mr. President—

Mr. WEEKS. Just a moment. There are many other sources on which they can rely to make earnings, and they do so in at least 28 States of the Union without having to rely upon exchange charges.

Mr. MAYBANK. Mr. President, will the Senator from Michigan yield that I may answer that statement?

Mr. VANDENBERG. Just a moment, if I may. I should like to yield the floor to someone else to be the heart and center of this continuing controversy, because I have to be in a committee meeting in 12 minutes. I did promise to yield to the Senator from West Virginia, and I do so.

Mr. REVERCOMB. Mr. President, I have listened with interest to the injection into the argument of a fight between big banks and little banks. To my mind, that is not tenable, in view of the figures which have already been cited by the

Senator from Michigan and the Senator from Massachusetts.

That the view that this is a quarrel between big and little banks is wrong, and can be dispelled, is shown by the fact that there are approximately 14,000 banks in this country, and that all but about 2,500 of them pay their checks at par. For instance, in my own State there are sixty-odd banks, and only 6 of them do not pay checks at par. I wish to assure the Senate that all those 60 banks that pay their checks at par cannot be classed as big banks. So the argument of big or little has no place here. This is a question of whether or not we are going to keep the banking laws sound by the payment of checks at par, or whether we are going to surrender the banking laws of this country to a preferred few who have heretofore taken a premium or made a charge for paying checks.

Mr. REVERCOMB subsequently said: Mr. President, supplementing the remarks which I made earlier on the question now before the Senate, I wish to invite attention to an editorial published in the Washington Post of Monday, December 11, 1944, entitled "Exchange Charges." I ask unanimous consent that this editorial be printed in the RECORD as a part of my remarks made earlier in the day, and immediately following my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

#### EXCHANGE CHARGES

During the twenties active competition among banks to attract deposits from other banks in outlying centers led to the building up of large balances payable on demand, thereby encouraging the making of unsound loans and putting many of the deposit-holding banks in a very vulnerable position. Following the banking panic of 1933, therefore, the Federal Reserve Act was amended to forbid member banks to pay interest on demand deposits, directly or indirectly, by any device whatsoever. Notwithstanding this sweeping prohibition member banks continued to absorb exchange charges made by some nonmember correspondent banks when checks were forwarded for collection.

Because the practice had lately been growing and was being increasingly employed by member banks to attract deposits of other banks, the Federal Reserve Board issued a ruling banning the absorption of exchange charges as a form of interest payment for use of deposits. The result was that spokesmen for more than 2,000 nonmember banks deriving income from exchange charges brought strong pressure to bear upon Congress to overturn the Reserve Board ruling. Last spring, accordingly, the House passed a bill legalizing the absorption of exchange charges by member banks, while a companion measure was introduced in the Senate.

The Senate Banking and Currency Committee has been bombarded with appeals from various interested groups to be heard in opposition to this measure. But so far without avail. The American Bankers Association, more than 30 State banking associations, the Association of Reserve City Bankers, and the National Retail Credit Association have sought an opportunity to make known their objections. They fear, with good reason, that if the absorption of exchange charges were to be legalized, member banks would be encouraged to compete actively for the deposits of small banks, thereby bringing about a maldistribution of



deposits that might have disastrous consequences. Certainly passage of the proposed legislation would cause some nonmember banks now remitting at par to revert to the practice of exacting exchange charges—a decidedly backward step.

There is danger that this controversial bill may get through the Senate as it did the House largely because Senators do not understand the importance of the issues at stake. The legislation is highly technical. Moreover, sharp differences of opinion exist as to the validity of the Federal Reserve Board ruling. The Federal Deposit Insurance Corporation, for instance, challenges the Board's interpretation of the existing law. Thus there is great need for further airing of the issues at stake, to clarify legal obscurities, and particularly to gain a better insight into the probable effects of the proposed legislation. According to rumor, proponents of the pending bill are maneuvering to shut off discussion and may try to attach it as a rider to the crop-insurance bill. Such tactics strongly suggest that they are counting upon ignorance or indifference to gain votes for a measure that would not stand up under full scrutiny.

Mr. VANDENBERG. Mr. President, I thank the Senator from West Virginia for his statement, and cordially agree with him.

I desire to conclude with one further brief reference to the letter from the Senator from Virginia [Mr. GLASS]. The distinguished Senator from Tennessee and the distinguished Senator from Georgia seem to feel that there is no menace of any nature to the Federal Reserve System in the pending proposal to revert to the vices of 10 or 12 years ago. I simply reiterate, because I think neither Senator was present when I opened my brief argument, that the Senator from Virginia when first presented with this precise pending amendment wrote a letter to the chairman of the Senate Banking and Currency Committee, in which he said:

The bill is rankly discriminatory and lacking in frankness. Its enactment could have vicious and far-reaching effects upon the Federal Reserve System.

Mr. President, I respectfully submit that in the name of sound banking, contemplating the national problem as a whole, the amendment should be defeated.

#### AMENDMENT OF RECLAMATION PROJECT ACT OF 1939

The PRESIDING OFFICER (Mr. McCLELLAN in the chair) laid before the Senate the amendment of the House of Representatives to the bill (S. 1782) to amend sections 4, 7, and 17 of the Reclamation Project Act of 1939 (53 Stat. 1187) for the purpose of extending the time in which amendatory contracts may be made, and for other related purposes.

Mr. BANKHEAD. I move that the Senate disagree to the amendment of the House, request a conference with the House on the disagreeing votes of the two Houses thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. McCARRAN, Mr. CHAVEZ, Mr. McFARLAND, Mr. GURNEY, and Mr. THOMAS of Idaho conferees on the part of the Senate.

G. H. GARNER

The PRESIDING OFFICER laid before the Senate a message from the House of Representatives announcing its disagreement to the amendments of the Senate to the bill (H. R. 1963) for the relief of G. H. Garner, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. ELLENDER. I move that the Senate insist upon its amendments, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. ELLENDER, Mr. TUNNELL, and Mr. ROBERTSON conferees on the part of the Senate.

#### CROP INSURANCE

The Senate resumed the consideration of the bill (H. R. 4911) to amend the Federal Crop Insurance Act.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from South Carolina [Mr. MAYBANK].

Mr. LANGER. Mr. President, first I wish very highly to compliment the distinguished Senator from South Carolina [Mr. MAYBANK] for his persistence in seeing to it that the Senate shall have a chance to vote on the amendment. As he said a short time ago, he introduced in January of this year a bill which is identical in language with the pending amendment. His bill has been pending now for almost a year. During this time scores of little banks have closed and have gone out of business because of the fact that the Senate Banking and Currency Committee did not take the time to act on the bill.

I have in my hand a list of some of the banks that have been closing. This is for the period of 1942 and 1943—21 months. I call attention, Mr. President, to the fact that practically all these banks that closed were in small towns. So whether the distinguished senior Senator from Michigan thinks so or not, the fact remains that this is an issue between the big, fat boys, the big bankers of Wall Street, and the little banks in South Dakota, North Dakota, and in the Southern States.

Take the State of Arkansas. In Arkansas, during these 21 months the Hamburg Bank, of Hamburg, Ark., closed. The Bank of Ola closed. The Citizens Bank of Fayetteville closed. Also the First State Bank of Prescott, the Bank of Mount Holly, the Bank of Stephens, the Bank of Searcy, and the Bank of Havana.

In my neighboring State of Minnesota, Mr. President, during the same time the following banks closed: The State Bank of Mahtowa, the State Bank of Beroun, the Alberta State Bank, the First State Bank of Tower, the Union State Bank of Hokah, the Cambria State Bank, the Hallock State Bank, the State Bank of Spring Cove, and the First National Bank of Waterville.

Mr. President, I ask unanimous consent to have inserted at this point in the RECORD, the list of scores and scores of

small banks that have closed up during these 21 months.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

#### "LOST BANKS" OF NINE STATES IN 1942-43

(List prepared by E. E. Placek, president of the country banks division of the Independent Bankers Association)

State of Arkansas: Hamburg Bank, Hamburg; Bank of Ola, Ola; Citizens Bank, Fayetteville; the First State Bank, Prescott; Bank of Mount Holly, Mount Holly; the Bank of Stephens, Stephens; Bank of Searcy, Searcy; Bank of Havana, Havana.

State of Illinois: Banco di Napoli Trust Co. of Chicago, Chicago; Fox Lake State Bank, Fox Lake; State Bank of Cordova, Cordova; First State Bank of Parkersburg, Parkersburg; El Dara State Bank, El Dara; Farmers State Bank of Milton, Milton; Lindner & Boyden Bank, Buda; Southern Illinois Trust Co., East St. Louis; Farmers Bank of Baylis, Baylis; Farmers State Bank of Kenney, Kenney; First State Bank of Mound City, Ill., Mound City; Citizens State Bank of Janesville, Janesville; First National Bank of Humbolt, Humbolt; First National Bank of Hume, Hume.

State of Kansas: State Bank of Bluff City, Bluff City; Danville State Bank, Danville; the Denmark State Bank, Denmark; the Leavenworth Trust State Bank, Leavenworth; Mahaska State Bank, Mahaska; State Bank of Commerce, Marion; Morrowville State Bank, Morrowville; Nashville State Bank, Nashville; Olmitz State Bank, Olmitz; the State Bank of Rantoul, Rantoul; the Waldron State Bank, Waldron; Zenda State Bank, Zenda; Attica State Bank, Attica; State Bank of Home City, Home City; First State Bank, Lake City; Manter State Bank, Manter; Osburg State Bank, Osburg; Sawyer State Bank, Sawyer; Farmers State Bank, Scottsville; Riley State Bank, Riley; First National Bank of Axtell, Axtell; Citizens National Bank of Frankfort, Frankfort; Cullison State Bank, Cullison; Huron State Bank, Huron; State Bank of Lecompton, Lecompton; State Bank of Turon, Turon; Westfall State Bank, Westfall.

State of Minnesota: State Bank of Mahtowa, Mahtowa; State Bank of Beroun, Beroun; Alberta State Bank, Alberta; First State Bank of Tower, Tower; Union State Bank of Hokah, Hokah; Cambria State Bank, Cambria; Hallock State Bank, Hallock; State Bank of Spring Cove, Spring Cove; First National Bank of Waterville, Waterville.

State of Missouri: The Bank of Armstrong, Armstrong; Jayne Banking Co., Gorin; Bank of Richwoods, Richwoods; Bank of Marionville, Marionville; the Trust Co. of St. Louis County, Clayton; Bank of Caledonia, Caledonia; Bank of Portland, Portland; Telegraphers National Bank of St. Louis, St. Louis; Foristell Bank of Foristell, Foristell; State Bank of Forest City, Forest City; the Farmers and Traders Bank of St. Joseph, St. Joseph; the Bank of Aldrich, Aldrich; the Duenweg State Bank, Duenweg; the Clinton County Trust Co., Plattsburg; the Boone County Trust Co., Columbia; Bank of Tina, Tina; the Citizens Bank of Laredo, Laredo; Bank of Milo, Milo; Citizens State Bank of Pleasant Hill, Pleasant Hill.

State of Nebraska: Bank of Brock, Brock; Farmers State Bank, Campbell; Farmers State Bank, Emerson; the Goehner State Bank, Goehner; Home State Bank, Homer; the Bank of Lushton, Lushton; Farmers State Bank, Pickrell; Thayer Bank, Thayer; Eddyville State Bank, Eddyville; Farmers State Bank, Hardy; Farmers & Merchants Bank, McCool Junction; Bank of Nemaha, Nemaha; the Home Bank, Omaha; Citizens National Bank of Tobias, Tobias; First National Bank of Benedict, Benedict; First National Bank of



Hampton, Hampton; Farmers & Merchants Bank, Alvo; Union State Bank, Broadwater; First State Bank, Whitman; Farmers State Bank, Madrid.

State of Pennsylvania: Freehold Bank, Pittsburgh; the Hastings Bank, Hastings; the Keystone Bank, Spangler; Peoples Bank of Blairsville, Blairsville; First National Bank & Trust Co. of Dallastown, Dallastown; Peoples National Bank of Duncannon, Duncannon; Emaus National Bank, Emaus; First National Bank of Etna, Pittsburgh; First National Bank of Fawn Grove, Fawn Grove; First National Bank of Homestead, Homestead; First National Bank of Kana, Kana; First National Bank of Lehigh, Lehigh; Citizens National Bank & Trust Co. of Lehigh, Lehigh; Peoples National Bank of East Brady, East Brady; First National Bank of Oakdale, Oakdale; Farmers National Bank of Selinsgrove, Selinsgrove; Grange National Bank of Tioga, Tioga; First National Bank of Weatherly, Weatherly; Central National Bank & Trust Co. of N. Y.

State of Texas: Fulbright State Bank, Fulbright; First State Bank, Talpa; First State Bank, Ropesville; Keller State Bank, Keller; First State Bank, Rocksprings; First State Bank, Jayton; Citizens State Bank, Waelder; Heidenheimer State Bank, Heidenheimer; Lone Oak State Bank, Lone Oak; First National Bank of Annona, Annona; First National Bank of Dodd City, Dodd City; First National Bank of Eddy, Eddy; State National Bank of Marshall, Marshall; First National Bank in Rockwell, Rockwell; First National Bank of Rogers, Rogers; Citizens National Bank in Saint Jo, Saint Jo.

State of Indiana: Bank of DeMotte, DeMotte; State Bank of A. P. Andrews, Jr. & Son, LaPorte; Battle Ground State Bank, Battle Ground; Davis Trust Co. Brazil; Fairbanks State Bank, Fairbanks; Bank of Bloomington, Bloomington; Bruceville State Bank, Bruceville.

Mr. LANGER. Mr. President, now addressing myself directly first of all to the argument of the distinguished senior Senator from Michigan [Mr. VANDERBERG]. The Senator says that this proposal represents bad banking; that 10 years ago various laws were passed to protect the banks, and that if the amendment is adopted we shall have bad banking again.

Mr. FERGUSON. Mr. President, will the Senator yield?

Mr. LANGER. I yield.

Mr. FERGUSON. Does the Senator from North Dakota have any evidence to indicate the reason for the closing of the banks in his State?

Mr. LANGER. Yes. I will come to that, if the Senator will wait a little while.

Mr. FERGUSON. Does it cover this particular issue?

Mr. LANGER. It covers this particular issue.

I want to say, Mr. President, that backing the amendment is the F. D. I. C., the agency that examines every bank, whether it be a tiny bank in the smallest hamlet in the country or the largest bank in the largest city of the Nation. They are for this amendment. But I have better evidence than that, Mr. President. When the bill which is identical with the pending amendment was introduced, realizing that debate would ensue on the floor of the Senate—and I now answer the question raised by the distinguished junior Senator from Michigan [Mr. FERGUSON]—I wrote a letter to every single bank in the State of North Dakota.

I asked the banks for their opinion of the measure, and I received replies from more than 90 percent of those to whom I wrote. Every single bank belonging to a chain—a chain which has its roots in Minneapolis or Chicago or New York—was against the measure introduced by the distinguished Senator from South Carolina. I have here, Mr. President, and I shall read, letters from some small bankers of my State. In some cases the bankers have asked that I do not use their names, because they say that big banks may wreck them, but there are some who have no objection to their names being used.

I have here a letter from Mr. Verne Wells, of the Security State Bank of Robinson, N. Dak., dated July 25, 1944. He writes in part:

DEAR SENATOR LANGER: Shortly after wiring you last spring that the Independent Bankers Association is apparently in favor of the Brown-Maybank bills, I attended a meeting of the executive council of that association at St. Louis.

Mr. DuBois has kept you informed as to our association's attitude on that bill, and I was surprised to learn that a goodly number of independent bankers in North Dakota are opposed.

Mr. President, I ask unanimous consent to place the remainder of the letter in the RECORD at this point as a part of my remarks.

There being no objection, the remainder of the letter was ordered to be printed in the RECORD, as follows:

At the St. Louis meeting, all but 2 of the 26 members present voted to support the Maybank bill. I talked with several of the men who, like myself, voted their personal convictions rather than the sentiment of the majority of the members in their respective States. Colorado and Michigan were particularly vocal in that opinion.

To me it seems that many bankers have formed their opinions on this measure by listening to the propaganda put out by the Federal Reserve men and the representatives of the large banking chains. Leo T. Crowley, of the F. D. I. C., has gone to bat for the smaller independent banks many times during the past few years. I am glad that he "stuck his neck out" in our behalf again on this Maybank bill. After all, the question of regulation Q and its enforcement as far as it applies to absorption of exchange is a problem of the Reserve city banks and we have no business fooling with it. It appears that these fellows have called in the Federal Reserve to settle this dispute that they should have been able to iron out between themselves.

The attitude of the Independent Bankers' Association is that we are opposed to legislation by directives or regulation by edict. That is what the Federal Reserve Board has been doing more or less for most of its history. That is one reason why so many independent banks have refused to join the Federal Reserve System. We all know that Chairman Eccles feels that small unit banks have no place in our economy, and he is outspoken in this matter. He may be honest and sincere in his conviction but that is no reason why we have to like it any better. As far as the details of regulation Q are concerned, you will find many divided opinions, but we are opposed to the principle of the thing. When a single board can make the laws for the 15,000 banks of the Nation, we will have lost that precious heritage for which our sons are fighting and dying today.

Thanks very much for your interest in this problem, which is very important to all

so-called small business and, therefore, important to each individual.

Mr. LANGER. I have here a letter from Beach, N. Dak., in the uttermost western part of the State. It is dated April 21, and is as follows:

I am taking the liberty of writing you, both for ourselves and the First State Bank of Golva, Golva, N. Dak., with whom I have collaborated, requesting that you vote for passage of S. 1642, commonly known as the Maybank bill, believing, as we do, that the passage of this bill will permit the eventual forcing of par clearance on nonpar banks by the Federal Reserve System, who tried some twenty-odd years ago to force universal par clearance by mailing checks on nonpar banks to the local express agent for collection, who demanded cash in payment, necessitating the carrying of abnormal amounts of currency by these small banks, with which to meet these demands.

Let me digress for a moment to say, as the distinguished senior Senator from Georgia [Mr. GEORGE] has said, that this is an old question. This banker says that 20 years ago in the State of North Dakota the Federal Reserve System tried to force universal par clearance.

He continues:

The scheme would have worked nicely had not the Supreme Court intervened and stopped the practice, thereby practically saving the dual banking system we now enjoy.

We are afraid that the Reserve System's ruling on its regulation "Q," with regard to the absorption of exchange by banks is just another way of entering an opening wedge into the question of par clearance of checks by all banks, be they members or nonmembers of the Federal Reserve System; consequently we would very much appreciate it if you could see the matter in our light and vote for passage of the Maybank bill.

Here is another letter, Mr. President. This bank prefers not to have its name used, because it is close to the big banks which could almost put it out of business. This letter is written to Mr. J. N. Peyton, president of the Federal Reserve Bank, Minneapolis, Minn. I ask unanimous consent to have the letter printed in the RECORD, with permission to omit the name of the banker who signed it.

There being no objection, the letter, without the signature, was ordered to be printed in the RECORD as follows:

DEAR MR. PEYTON: I have taken too scant notice of your's and other communications regarding regulation Q to be any authority on the subject. Up here in North Dakota we have a situation out of line with most of the Nation. Under the stress of war, what with bond drives, Red Cross, income-tax service, etc., I'm damned if I know how any country banker can give much consideration to anything except that which is under his nose and glasses. We, in North Dakota, have a crying need for extended and more comprehensive banking service, especially in the western part of the State. When I come down to the bank in the morning and pick up the Federal Reserve obituary notice for a State bank in our northwest group, I am somewhat depressed. Regarding the matter of interest on deposits, who can truly say that the par clearance of checks does not constitute payment of interest to the depositor? Now, personally, I do not like the idea of State bank exchange any better than you do. But if we are to continue to serve our rural communities it will remain a necessary evil.

With the present hodge-podge in the banking situation, I hope that our Nation is not going to go as crazy as North Dakota did dur-



ing the last war. What with R. F. C., Federal Reserve, bank for so-called cooperatives, R. A. A. C., production credit (the latter openly making loans in violation of regulation W), etc., how can we know anything about what legislation is needed? Add F. D. I. C. 10-1 ratio, just as if, and providing, capital has anything but an unfavorable influence on the risks involved in making rural loans.

I believe you know the country banker. Your war finance meeting started our Northwest off on the right foot and we have not been doing so bad since. Why need for any legislation until such time as conditions are back to normal and we know a little about how to legislate? How about a little post-war planning in the banking field? Duplicate your first meeting when Banker Hicks has a little time to give it proper attention. Apparently we are not entirely agreed on the issues involved, but as this is no time for truly deliberated bank legislation, I am forwarding to BILL LANGER a copy of this not too well constructed epistle.

Mr. LANGER. Here is a letter from Mr. D. W. Kelly, of Devils Lake, N. Dak., who has no objection to having his name used. It is dated March 21, 1944. It is now December, and we are now asked not to take action on this matter, which involves the very life of scores of little banks all over the country. I hold in my hand a list of approximately 125 small banks which have already closed. The letter reads as follows:

Coming before you in a very short time, we understand, is the above-entitled bill—

#### The Brown-Maybank bill—

which seeks to legalize the practice of absorbing exchange charges on the part of banks.

Familiar as you are with conditions here in North Dakota, you, without doubt, readily appreciate that no longer is it the farmer who is in financial distress through lack of income, but, rather, the small bank whose loan portfolio is shrunk and who must now depend for most part for its existence on the exchange charges that can be collected on incoming checks.

To our way of thinking, passage of the Brown-Maybank bill means the beginning of absorption of exchange, not by correspondent banks alone but by all banks, and eventually the elimination of all exchange charges and finally the financial demise of the country bank, when deprived of its last source of income.

Mr. EASTLAND. Mr. President, will the Senator yield?

Mr. LANGER. I yield.

Mr. EASTLAND. What could be the reason against the absorption of exchange, when not sufficient money is involved to hurt the financial structure of any bank, and when the big bank desires to absorb the exchange? What could be the objection?

Mr. LANGER. The distinguished Senator has stated the question as clearly as it could possibly be stated. He has made the best argument possible in favor of the Maybank-Brown bill. No one objects except some of the larger banks.

Mr. EASTLAND. There is not enough money involved to endanger the financial structure of any bank. What is the Federal Reserve System up to?

Mr. LANGER. Of course, it is out to wreck the small banks, for one thing. Another thing is that it desires to force every bank into the Federal Reserve Sys-

tem, whether the bank wishes to go into it or not. It is hoped that by this method banks will be compelled to become members.

Mr. EASTLAND. It is a brazen attempt to usurp the legislative power of Congress.

Mr. LANGER. Of course.

Mr. EASTLAND. We hear much said about government by boards, bureaus, and commissions. At election time a great many men run for office, saying that they will curb Government boards and bureaus, and that they will see that the Congress of the United States protects its legislative powers. I submit to the distinguished Senator from North Dakota that now is the time for the Congress of the United States to protect its legislative powers and to prevent the Federal Reserve Board from legislating and usurping the powers of the Congress.

Mr. LANGER. Let me ask the Senator a question. Is it not true that in the Senator's State of Mississippi the banks which have closed have been small banks in outlying sections of the State?

Mr. EASTLAND. That is true.

Mr. LANGER. In my State there is one county which formerly had three banks. Today it has none. When the bank holiday came in my State, 561 banks closed, involving a loss to the people of, roughly, \$60,000,000. In the largest county in the State, the county of McKenzie, there is only one bank, and farmers must travel 50, 60, or 70 miles to do business with that bank unless they do business by mail. Under the system which it is proposed to establish, it is doubtful whether many of the banks in the counties in North Dakota could exist. Therefore, I appreciate very much what the distinguished Senator has said, because he has hit the nail squarely on the head.

Mr. EASTLAND. If this amendment is not adopted, many small banks in the State of Mississippi will be forced to close. I was talking with a banker the other day. I saw his figures. Most of the bank's operating income is derived through exchange. This is a very important matter.

Mr. FERGUSON. Mr. President, will the Senator from North Dakota yield for a question?

Mr. EASTLAND. Will the Senator please let me finish what I was saying?

Mr. FERGUSON. I wish to ask the Senator from Mississippi a question.

Mr. EASTLAND. Will the Senator please allow me to finish?

The argument is made that we should permit the Senate Committee on Banking and Currency to conclude its hearings, and then the Senate should discuss the whole question. I submit, Mr. President, that this amendment should be adopted, and then legislation to authorize the objectives which the Federal Reserve System seeks should be submitted to the Congress for determination by the Congress, instead of having the question determined by an assumption of legislative authority by the Federal Reserve System.

Mr. FERGUSON. Mr. President, will the Senator from North Dakota yield so

that I may ask the Senator from Mississippi a question?

Mr. LANGER. I yield.

Mr. FERGUSON. For how long a period have banks in Mississippi been collecting this exchange?

Mr. EASTLAND. For 50 years.

Mr. FERGUSON. If that be true, the cause of the closing of banks in the Senator's State could not have been the action of the Federal Reserve Board, could it?

Mr. EASTLAND. I think so, on the basis of the figures from our banking department which I have seen. The interpretation placed on regulation Q by the Federal Reserve Board will cause many small banks in my State to close.

Mr. FERGUSON. I was not asking what it will cause. I wish to know whether it did cause the closing of banks.

Mr. EASTLAND. No; it has not yet done so.

Mr. LANGER. Mr. President, will the Senator permit me to answer that question? I think I can answer it to the satisfaction of the distinguished junior Senator from Michigan.

Mr. FERGUSON. The Senator from Mississippi has answered it for his State.

Mr. LANGER. The reason why so many of the banks closed was the action taken by the Federal Reserve Board in 1920, when it suddenly called in millions of dollars' worth of loans. Many of our farmers had obtained loans on cattle or other livestock or machinery. When the loans were called in, a farmer who had a horse worth \$100 found that it could only be sold for \$50; a farmer who had a cow which used to be worth \$75 found that it could only be sold for \$20. The banks called in millions of dollars' worth of loans, and so created the panic. If it had not been for the revenue derived from exchange, some of the banks would have had to close long before they did.

Mr. FERGUSON. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. HALL in the chair). Does the Senator from North Dakota yield to the Senator from Michigan?

Mr. LANGER. I yield.

Mr. FERGUSON. The Senator referred to the closing of banks in his State in 1920. I do not understand that this matter affected them.

Mr. LANGER. They were in addition to the banks which closed in the 1930's.

Mr. FERGUSON. I am trying to get on record the cause of the closing of the banks in the 1930's.

Mr. LANGER. The cause is very simple to state. The situation with the banks was that, even with the exchange, business was so slack, and they got so little of it that they could not pay their expenses and keep open.

Mr. FERGUSON. Suppose the amendment is agreed to. Would it increase the revenue of the banks?

Mr. LANGER. It would not increase the revenue, but revenue would continue to come in. The amendment, if adopted, would permit the banks to continue to exist, because its adoption would permit some revenue to continue to come to the



banks, instead of having millions of dollars of revenue taken away.

Mr. FERGUSON. But does the Senator insist that the cause of the failure of the banks listed in the exhibit was their inability to make the exchange?

Mr. BUSHFIELD. Mr. President, I should like to answer that question, if the Senator will yield to me.

Mr. LANGER. I yield.

Mr. BUSHFIELD. I wish to say that the ruling or interpretation of regulation Q, which is the subject of the discussion, was made only last September. The law has been in force for 7 years, but the Federal Reserve Board did not see fit to make that interpretation or ruling until September 1944.

Mr. FERGUSON. But neither the ruling nor the law caused the closing of the banks.

Mr. BUSHFIELD. I am not so contending.

Mr. EASTLAND. Mr. President, will the Senator yield?

Mr. LANGER. I yield.

Mr. EASTLAND. Let me inquire what it was that Congress sought to prevent in 1933?

Mr. LANGER. Congress sought to prevent the closing of the banks. It did so by guaranteeing deposits and thus inspiring confidence in the depositors in the banks.

Mr. EASTLAND. I understand that. But by regulation Q, according to the interpretation of the Federal Reserve Board, Congress forbade the payment of interest on deposits. Prior to 1933, \$246,000,000 had been paid in 5 years in the form of interest on bank deposits.

Interest is defined by the courts as money which is paid for the use of money. The exchange is a service charge, for doing business, and that is defined by the courts. What possible construction could reasonably be placed on a service charge so as to justify its being regarded as interest?

Mr. LANGER. Simply by making an arbitrary order, the Federal Reserve Board is attempting to make service charges appear to be interest.

Mr. EASTLAND. But what Congress prohibited was the payment of interest on demand deposits. Such payments had been made in the sum of \$246,000,000 for 5 years prior to 1933, whereas in connection with the pending measure only the payment of \$8,000,000 is in issue. That is all that is presently involved.

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. LANGER. I yield.

Mr. MAYBANK. The Senator was speaking of a situation which existed in North Dakota, which is very similar to the situation which existed in the Carolinas, where the price of cotton dropped from 40 cents to 4 cents, and mules and other animals were unsalable. After the failure of the banks and during the banking holiday, did the State of North Dakota forbid the payment of interest on deposits in banks?

Mr. LANGER. In North Dakota we did enact legislation to strengthen the financial structure of the banks.

Mr. MAYBANK. I am glad to hear the Senator say that. The distinguished

senior Senator from Michigan [Mr. VANDENBERG] referred likewise to what Congress has done to strengthen the banking situation. I agree with everything he said in that regard. But the regulation we have been discussing was put into effect only last September, although the law was passed nearly 10 years ago. So I cannot understand the situation. I should like to have the Senator tell me whether he can understand how the regulation would have anything in the world to do with strengthening the banks in the United States.

Mr. LANGER. It would not. It would only weaken many small banks.

Mr. EASTLAND. Mr. President, will the Senator yield?

Mr. LANGER. I yield.

Mr. EASTLAND. The question whether it has anything to do with strengthening the banking laws is a matter for Congress to handle, not one to be handled by the Federal Reserve Board.

Mr. MAYBANK. I entirely agree with the Senator's statement.

Mr. President, will the Senator again yield to me?

Mr. LANGER. I yield.

Mr. MAYBANK. The Senator from Michigan had to leave the Chamber to return to the Committee on Foreign Relations. I should like to say, inasmuch as he mentioned South Carolina, that we strengthened our banking laws materially and we passed many laws to that end. As a matter of fact, the result of one of the laws is that certain cash depositories in South Carolina cannot lend the money which is deposited with them. They depend entirely upon exchange charges to enable them to pay their clerk hire and their other expenses. It is only recently that the law has been amended so as to permit a portion of the money to be loaned. So I am advised that 43 of those banks will immediately have to close for lack of revenue if the exchange charge is not permitted.

I thank the Senator from North Dakota for yielding to me.

Mr. BUSHFIELD. Mr. President, will the Senator yield to me? I should like to make just one contribution.

Mr. LANGER. I yield.

Mr. BUSHFIELD. The Superintendent of Banks of the State of South Dakota told me yesterday that, at least according to his estimate, 25 banks in our State would be in jeopardy if this measure were not passed.

Mr. McKELLAR. Mr. President, will the Senator yield to me?

Mr. LANGER. I yield with pleasure to the distinguished senior Senator from Tennessee.

Mr. McKELLAR. Question was asked whether the banking system would be strengthened. If the Senator will permit me to do so, I will read a letter dated December 29, 1943. I ask Senators please to note the date. The letter was written to the correspondents of the National Bank of Commerce, at Memphis, Tenn. It reads as follows:

To Our Correspondents:

The Federal Reserve Board has recently ruled that the absorption of exchange charges in the collection of nonpar items is a violation of section 19 of the Federal Reserve Act

and of the Board's regulation Q as it refers to the payment of interest on demand deposits.

It will be recalled that the distinguished senior Senator from Michigan [Mr. VANDENBERG] stated that the payment of interest on demand deposits would ruin the banking system. Today we find that after the Federal Reserve Board has permitted this custom to exist under the law, as the Board understood it, for at least 9 years, now, 9 or 10 years later, it changes its course of action in reference to that part of the law or its interpretation of it.

I continue to read from the letter of the National Bank of Commerce:

The office of the Comptroller of the Currency has recently directed that action be taken by us in compliance with the above ruling, and in a letter dated November 20, stated, "if we cannot secure action in Memphis and \* \* \* and a few other cities, I suppose the only alternative is to promptly send examiners to investigate and report and cite for violation banks that are absorbing exchange amounting to an indirect payment of interest on demand deposits.

In other words, Mr. President, the Federal Reserve Board not only is making an amendment of the law but it is threatening the banks with dire consequences unless its amendment is complied with.

The letter continues as follows:

It is our information that the matter is under discussion by various authorities in Washington before a congressional committee and a difference of views has been presented. We should like very much to be allowed to await final determination; however, in view of the position of the Comptroller's office, it has been necessary to advise him that we would comply with his directions. Therefore, effective on and after January 15, 1944, we shall be required to charge back such out-of-pocket collection costs as are incurred in the clearance of items not collectible at par through the Federal Reserve System.

We feel certain in view of the foregoing that you will appreciate our present position and that we may be allowed to serve you in the future as we have in the past.

We are enclosing herewith schedule showing present costs for collection of out of town items for correspondent banks, which is self-explanatory.

Yours very truly,

NATIONAL BANK OF COMMERCE.

That is one of the large banks of Memphis. It is perfectly evident from the letter that that bank, and many thousands of other banks of a similar kind, are not complaining of exchange charges. This idea, which was put forth after 9 years of experience of the Federal Reserve bank, arose in Washington, in New York, and in other cities, among the large banks which wanted to crush the small ones. It is not the desire of the large banks in the various States to enforce the rule of the Federal Reserve Board. The rule was issued by the Federal Reserve Board, and it should not be complied with. The Federal Reserve Board has great power over banks, and many banks, as is clearly indicated by the letter which I have read, are afraid not to follow the Federal Reserve Board. As already shown by its acts, for 9 years the Federal Reserve Board did



not believe it was the law; but at the last moment, when pressure was put upon it, and Congress did not give it relief, the Federal Reserve Board seems to have taken upon itself the duties of Congress in issuing this rule.

Mr. President, I ask unanimous consent to have printed in the *RECORD* at this point, as a part of my remarks, another letter of the same character as that which was circulated by the National Bank of Commerce.

There being no objection, the letter was ordered to be printed in the *RECORD*, as follows:

MEMPHIS, TENN., June 8, 1944.

To Our Correspondents:

Under date of December 29, 1943, we advised you that the Office of the Comptroller of the Currency directed that action be taken in Memphis in compliance with the Federal Reserve Board's interpretation of regulation Q.

At the same time we were advised that immediate steps were being taken to enforce the ruling alike in all national banks and State banks which are members of the Federal Reserve System.

Up to this time, uniform action has not been taken, and a difference of opinion has arisen as to what constitutes a violation of the law in this respect. Therefore, we have decided to rescind, as of June 15, 1944, our letter of December 29, 1943, with reference to the discontinuance of absorption of any out-of-pocket cost in the collection of your items.

Yours very truly,

NATIONAL BANK OF COMMERCE.

Mr. McKELLAR subsequently said: Mr. President, earlier in the day I made a statement, and asked unanimous consent to have printed in the *RECORD* certain letters from banks. I now hold in my hand three other letters bearing upon the same subject. I ask unanimous consent to have the letters printed in the *RECORD* immediately following the last letter which was ordered to be printed in the *RECORD*.

There being no objection, the letters were ordered to be printed in the *RECORD*, as follows:

DECEMBER 6, 1943.

To Our Correspondents:

A recent ruling by the Federal Reserve Board states that the absorption of exchange charges by any bank constitutes a payment of interest, and is a violation of both section 19 of the Federal Reserve Act and the Federal Reserve Board's regulation Q. In view of this ruling, it will be necessary on and after December 15, 1943, for us to charge back exchange on all items not collectible through the Federal Reserve System.

It is our understanding that other banks in St. Louis and other cities have reached the same conclusion and have taken similar action.

THE NATIONAL STOCK YARDS NATIONAL  
BANK OF NATIONAL CITY.

TREASURY DEPARTMENT,  
COMPTROLLER OF THE CURRENCY,

Washington, November 24, 1943.

Mr. W. T. BLAND,

Chairman of the Board,

First National Bank, Orlando, Fla.

DEAR MR. BLAND: You are no doubt familiar with the recent ruling of the Board of Governors of the Federal Reserve System with respect to the absorption of exchange, and with the action taken by the banks of Chicago, St. Louis, New Orleans, Houston, Dallas,

Milwaukee, Omaha, Lincoln, and other cities with respect to such absorption.

We shall, of course, expect national banks to comply with the general principle set forth in the ruling, looking toward the elimination of any abuses through competitive overreaching which may have developed in the payment of interest through absorption of exchange. We welcome such voluntary action as that already taken in the cities named above upon the initiative of bankers themselves. In the absence of such action, the much slower procedure of individual examination and enforcement will be necessary.

We believe the bankers in Orlando will be glad to get together for a discussion of this subject with the idea of instituting voluntary action similar to that taken elsewhere. Because it would be an aid to us in enforcement and because we believe it would have a good effect in other centers and be a salutary influence in Orlando, I am writing to ask your cooperation in bringing the bankers of your city together for a discussion. Your willingness to do so will be very much appreciated and we shall be eager to have word of any action taken by the bankers there.

Very truly yours,

C. B. UPHAM,

Deputy Comptroller of the Currency.

I hereby certify that the above is a true and correct copy of a letter dated November 24, 1943, signed by C. B. Upham, Deputy Comptroller of the Currency.

ROZELLE WHITEHEAD,

Notary Public, State of Florida at Large.

My commission expires October 20, 1946.

THE FIRST NATIONAL BANK OF LINCOLN,  
LINCOLN, NEBR., November 15, 1943.

To Our Correspondents:

The Federal Reserve Board has recently ruled that the absorption of exchange or collection charges is a violation of its regulation Q under the Banking Act of 1935 which prohibits the payment of interest on demand deposits.

We are, therefore, no longer permitted to absorb such charges. Effective December 1, to conform to this ruling, it will be necessary for us to charge your account with the actual exchange cost incurred by us in the collection of items received from you.

To assist you in the recovery of such exchange charges from your depositors, we will furnish your bank with a description of such cost items and the amount of the charge.

You know it is our desire to be of every service to you in the future, and that we appreciate our fine relationship during the past many years.

THE FIRST NATIONAL BANK OF LINCOLN.

Mr. McKELLAR. Mr. President, as I look at the situation, this is an effort on the part of the big banks of the country to crush the little banks. When I say "the big banks," I mean the really big ones.

Mr. EASTLAND. The Senator means banks in New York, Chicago, and in other large cities.

Mr. McKELLAR. Yes. They want to control the banking system. They do not want the small banks throughout the country to do business. They want to do that business themselves. By endeavoring to defeat the proposal of the Senator from South Carolina they are endeavoring to control the banking business of the country. The banks of the country have been in a marvelous condition for the past 10 years, and during all those years, until the past few months, the plan was followed of allowing the large banks to absorb the expense of collecting the checks of the smaller banks.

Mr. EASTLAND. Mr. President, is it not a fact that the banks of Nashville and Memphis are willing to absorb those charges?

Mr. McKELLAR. Yes; it is a fact. Some of the banks there are large ones. I believe one or two banks there have deposits of \$100,000,000, or more. In Nashville the banks are not averse to absorbing the expense.

Mr. EASTLAND. They want to do it.

Mr. McKELLAR. They want to do it.

Mr. EASTLAND. And they are financially able to do it.

Mr. McKELLAR. They are financially able to do it, and they want to help the small banks, and help the people who are doing business with the small banks. But they are being forced to do something else. They have been absolutely frightened into it, as shown by the letter which I have read. A threatening letter of the Federal Reserve Board has forced them to take an opposite course of action to that which they would choose to take.

I think it is the duty of the Senate to adopt this amendment and I hope that all Senators will vote for it. I am not willing to surrender my duty as a legislator to the Federal Reserve Board, highly as I may respect it.

Mr. EASTLAND. Mr. President, will the Senator from North Dakota yield?

Mr. LANGER. I yield.

Mr. EASTLAND. As an indication of what is meant, I have before me a list of typical banks in the State of Mississippi. The list comprises what may be designated as exhibits, showing net operating earnings for 11 months of 1944, including exchange collected:

Exhibit (a): Net operating earnings for the first 11 months of 1944, \$15,647.27, including exchange collected of \$15,141.97.

Exhibit (b): Net operating earnings for the first 11 months of 1944, \$33,331.70, including exchange collected of \$31,000.

Who can say that those banks can remain in business and serve their communities unless this amendment is adopted?

Exhibit (c): Net operating earnings for the first 11 months of 1944, \$5,980.94, including exchange collected of \$5,267.84.

It is safe to say that if this amendment is not adopted between 20 and 40 small banks in the State of Mississippi will be forced to close their doors within the next few weeks, all because of the predatory Federal Reserve System, which is attempting to take over the legislative responsibilities of the Congress. It is strange to see Members of this body who denounce government by bureau, and yet will not do anything to force the Federal Reserve System to come to Congress and allow Congress to decide with regard to the matter of the absorption of exchange.

Mr. President, I ask that the list of 22 banks in the State of Mississippi be printed in the *RECORD* at this point as a part of my remarks.

There being no objection, the list was ordered to be printed in the *RECORD*, as follows:



| Exhibit: | Net operating earnings, 1944 (11 months) | Including exchange collected |
|----------|--|------------------------------|
| (a)----- | \$15,647.27                              | \$15,141.97                  |
| (b)----- | 33,331.70                                | 31,000.00                    |
| (c)----- | 5,980.94                                 | 5,267.84                     |
| (d)----- | 53,072.58                                | 32,711.74                    |
| (e)----- | 2,000.00                                 | 10,812.66                    |
| (f)----- | 14,000.00                                | 12,360.00                    |
| (g)----- | 22,000.00                                | 12,150.00                    |
| (h)----- | 2,162.06                                 | 1,932.94                     |
| (i)----- | 1,485.47                                 | 12,657.11                    |
| (j)----- | 1,456.72                                 | 2,020.92                     |
| (k)----- | 25,416.93                                | 11,221.55                    |
| (l)----- | 9,891.77                                 | 5,084.25                     |
| (m)----- | 10,606.17                                | 5,638.17                     |
| (n)----- | 13,161.28                                | 10,082.29                    |
| (p)----- | 9,190.46                                 | 10,758.97                    |
| (q)----- | 17,326.31                                | 13,225.51                    |
| (r)----- | 49,465.57                                | 9,391.78                     |
| (s)----- | 20,009.15                                | 13,833.43                    |
| (t)----- | 50,543.18                                | 35,080.00                    |
| (u)----- | 22,773.01                                | 32,431.43                    |
| (v)----- | 23,373.29                                | 13,958.47                    |
| (w)----- | 9,549.77                                 | 9,471.38                     |

Mr. LANGER. Mr. President, I should like to see the list of banks which the Senator from Mississippi has asked to have printed in the RECORD. Does the Senator object to reading the list into the RECORD?

Mr. EASTLAND. No; I have no objection.

Continuing with the list, exhibit (d) shows net operating earnings of \$53,072.58 for the first 11 months of 1944, including exchange collected of \$32,711.74.

Mr. LANGER. That is about 60 percent.

Mr. EASTLAND. Yes.

Exhibit (f): Net operating earnings for the first 11 months of 1944, \$14,000, including exchange collected of \$12,360.

Mr. LANGER. That is more than 80 percent.

Mr. EASTLAND. Yes. Mr. President, it is my judgment that these figures are typical of small banks in North Dakota, South Dakota, and other Western States, as well as banks in Southern States.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. LANGER. I yield.

Mr. AIKEN. Who collected the exchange to which the Senator from Mississippi has referred?

Mr. EASTLAND. The information came from the banking department of the State of Mississippi, and was given to me by the State comptroller of banks of the State of Mississippi.

Mr. AIKEN. Who collected the exchange?

Mr. EASTLAND. The small banks.

Mr. AIKEN. For what year?

Mr. EASTLAND. For the first 11 months of 1944.

The next is exhibit (h). Net operating earnings for the first 11 months of 1944, \$2,162.06, including exchange collected of \$1,932.94.

Exhibit (i): Net operating earnings for the first 11 months of 1944, \$1,485.47, including exchange collected, \$12,657.11.

Exhibit (j): Net operating earnings for the first 11 months of 1944, \$1,456.72, including exchange collected of \$2,020.92.

Exhibit (k): Net operating earnings for the same period, \$25,416.93, including exchange collected of \$11,221.55.

Mr. LANGER. As the Senator proceeds, will he give the percentage as between the net operating earnings and the exchange collected?

Mr. EASTLAND. With reference to the last item which I read, the exchange collected would represent approximately 45 percent of the net operating earnings.

Mr. AIKEN. Mr. President, under what law is the Federal Reserve Board proceeding? This is all new to me.

Mr. EASTLAND. Under the law of the land. The Federal Reserve Board has placed an arbitrary construction on an act of the Congress which forbids a large bank from absorbing exchange collections on behalf of one of the small banks, its client. If the large banks can pass that burden back to the small bank it will cause them to close. The figures show about 25 percent of the small banks in the United States will have to close unless the Congress corrects the situation.

Mr. AIKEN. Would the amendment of the Senator from South Carolina correct it?

Mr. EASTLAND. That is its object.

Mr. LANGER. It is designed to save the small banks.

Mr. EASTLAND. It is solely a question of whether we want small banks in this country and whether 2,500 communities shall be deprived of banking services because of the arbitrary, predatory ruling of the Federal Reserve Board.

Mr. AIKEN. Does a liability arise from the small bank to the large bank?

Mr. EASTLAND. The large bank is absorbing it willingly now; they want to absorb it; but the Federal Reserve Board says "No," they cannot do that.

Mr. AIKEN. Does the customer pay in any case?

Mr. EASTLAND. The customer pays.

Mr. LANGER. He pays 10 cents a check.

Mr. EASTLAND. Here is exhibit (l)——

Mr. WHITE. Mr. President, may I suggest to the Senators holding their conference that they raise their voices so that other Senators may have the benefit of the discussion?

Mr. EASTLAND. Exhibit (l) is another typical Mississippi bank with net operating earnings for 11 months in 1944 of \$9,891.77, of which \$5,084.25 represented exchange collected.

Another typical bank had earnings for the same 11 months in 1944 of \$10,606.17, of which \$5,638.17 came from exchange collected, so that more than 50 percent of the earnings came from that source.

Exhibit (n) is the name of a bank with earnings of \$13,161.28 of which \$10,082.29 came from exchange collected.

Exhibit (q): Net earnings \$17,326.31, of which \$13,225.51 was income from exchange collected, or about 75 percent. That bank is worth something to that community, and the people living there are entitled to banking services even though it is a small, poor community.

Another typical Mississippi bank had operating earnings of \$49,465.57, of which only \$9,391.78 came from exchange collected.

Another had operating income of \$20,009.15 of which \$13,833.43 was from exchange collected.

Here is a bank with an operating income of \$50,543.18, of which \$35,080, or approximately 75 percent, was income from exchange collected.

Another typical Mississippi bank had an operating income for 11 months of 1944 of \$23,373.29, of which \$13,958.47 was from exchange collections, representing, I estimate, from 55 to 60 percent.

Here is another illustration: In this case the bank for the first 11 months of this year, 1944, had earnings of \$9,549.77, of which \$9,471.38 was from exchange collected.

Mr. LANGER. Mr. President, if the Senator will permit me to ask him a question; suppose in a county in Mississippi there is a large bank which is close to four or five counties and the small banks in those counties have to close; that would mean, would it not, that the large bank would get the business and the farmers and laboring men would have to go to the large bank in order to transact their banking business?

Mr. EASTLAND. That statement is correct. With but one exception that I know of, every bank in the State of Mississippi favors the adoption of this amendment; and I submit if the large banks in the South and West are willing to absorb exchange collections, if everybody is agreed on that, why should we refuse them that privilege, and why should we deprive several thousand small communities of banking services? It is unjust to do so, and represents another predatory attempt by high finance to gain control of the small banks of the United States and to drive them into the Federal Reserve System.

Mr. LANGER. And is it not also true, may I not ask the Senator, that it would mean that the farmers and laborers would have to drive 30 or 40 or 50 or 60 miles to do business with some large bank in Mississippi?

Mr. EASTLAND. That is correct.

Mr. LANGER. Instead of going to a bank 3 or 4 miles away and borrowing a hundred dollars or so if the farmer needed it, he would have to go 50 or 60 miles away to do that.

Mr. EASTLAND. And the expense of his trip would be more than the interest on a small loan.

Mr. LANGER. And much more than the small amount of exchange charged.

Mr. BUSHFIELD. Mr. President——

Mr. LANGER. I yield to the Senator from South Dakota.

Mr. BUSHFIELD. Mr. President, in my humble opinion, there is much misconception on the part of Senators about the pending proposition. As the Senator from Tennessee [Mr. McKellar] said a few moments ago, we are not trying to change the law, but there has been a sudden, arbitrary interpretation or regulation of the Federal Reserve Board. If we clear away all the smoke about this proposal, we will find that back of this interpretation—the ruling of the Federal Reserve Board—is the desire on their part to secure absolute control of the State banking systems of the country.

In this connection and along with what has been said heretofore, I desire to call the attention of the Senate to what



Mr. Crowley had to say about this same proposition. Leo T. Crowley is one of our distinguished citizens. He is Chairman of the Federal Deposit Insurance Corporation, one of the better Government agencies. Mr. Crowley has a distinguished experience in the past in Government service. He said in testifying before the Committee on Banking and Currency on House bill 3956, which is the same as the pending proposal:

You skate around all you want; but, when you get right back, there are a few fundamental things involved. First, I think the ruling indirectly forces par clearance on the banking system of this country, and I have always been a strong believer, that in legislative matters, you should meet a thing directly—not placing some fine Italian writing in a law and then interpreting it in a way that you feel your theories can best be served. And Congress certainly in the past has indicated, without question, that it is not in favor of enforcing par clearance, and the Supreme Court has indicated, as I understand it, that the Federal Reserve Board did not have the authority to do so.

Then Mr. Crowley goes on to say further:

I think the net result of the Federal Board's ruling is this: First, it forces par clearance; secondly, it very definitely affects the earnings of a lot of little banks. The next step, in my judgment, is that you break your little banker; you eliminate him from your banking picture, and the advocates of branch banking immediately will come along and say, "Now, this little community is in need of a bank and cannot support an independent bank, so that we have to have a branch bank to serve that community."

Now, I do not think this ruling relates to just the matter of exchange in these little banks; I think a very fundamental issue is involved, and I think this committee ought to take plenty of time to understand all of the elements that may be involved, because I think that, as you go along, you will find that there are fundamental differences in principle between the Federal Reserve and the Federal Deposit Insurance.

Mr. EASTLAND. Mr. President, will the Senator yield?

Mr. BUSHFIELD. In just a moment, then I shall be glad to yield.

Mr. President, the distinguished Senator from North Dakota has referred to what the Federal Reserve crowd did to the banks of the Middle West in 1920; and we have not forgotten that. They practically broke the banks of that section by the unprecedented and unintelligent, in my opinion, ruling which required the banks to liquidate in 30 days. That brought on the crash of 1920, and we do not want the Federal Reserve Board to get control of all the banking facilities of this country.

Mr. LANGER. May I not say to the Senator they not only broke the banks, but they broke the farmers doing business with the small banks?

Mr. BUSHFIELD. Yes; the banks are built on the farming populations of those States.

I yield to the Senator from Mississippi.

Mr. EASTLAND. The argument has been made on the floor of the Senate by the opponents of the bill that we must defeat the bill in order to have sound banking in the United States.

Mr. BUSHFIELD. That question is not an issue at all.

Mr. EASTLAND. Is it not a fact that the Federal Deposit Insurance Corporation insures the deposits of this country?

Mr. BUSHFIELD. The Senator is correct.

Mr. EASTLAND. And does not that Government agency favor the passage of the bill?

Mr. BUSHFIELD. It does, and very strongly.

Mr. MAYBANK. The Senator from Mississippi asked the question I was about to ask, except that I would have added that Mr. Crowley would be far more interested in small banks than in large banks, would he not?

Mr. BUSHFIELD. Yes.

Mr. MAYBANK. Not because of his personal advantage, but that is his business.

Mr. BUSHFIELD. The Federal Deposit Insurance Corporation is particularly for the small banks because its protection is limited to deposits of \$5,000.

Mr. MAYBANK. Let me ask the distinguished Senator from North Dakota if it was not testified in the hearings that back in 1920 or, at least, some time ago, the Federal Reserve sent the checks from the smaller banks through express for collection, and, of course, they would accumulate so many checks that it would be embarrassing for the little banks in the morning to meet those checks, and they had to go to the Supreme Court and stop that. I am wondering if that happened in the West; it was almost a tragedy in the South.

Mr. LANGER. Yes; I read about that a few moments ago. The Senator was out of the Chamber at the time, I think. I referred to the decision of the Supreme Court.

Mr. MAYBANK. Was that done generally in North Dakota?

Mr. LANGER. It was done all over the country.

Mr. BUSHFIELD. I thank the Senator from North Dakota for yielding.

Mr. LANGER. Mr. President, I desire to put into the RECORD the following telegram, dated March 20:

This bank is in favor the Maybank Senate bill 1647 and we should like to have you use your power and influence in the passage of same.

That is signed by the Bank of Killdeer, a small town in the western part of the State.

I have here a telegram from one of the outstanding small bankers of North Dakota, John Ottis, of Kindred, Cass County, the largest county in the State:

Will appreciate your support of the Maybank bill. Believe it to be to best interest of small country banks.

I have here a telegram from the Farmers State Bank of Lisbon, N. Dak., the county seat of Ransom County:

We urge your support of Maybank bill. We believe exchange charges vital to existence of small banks and that defeat of Maybank bill would be entering wedge for eliminating of exchange.

I have here a letter from one of the leading bankers of the State:

Do not think there is any question at all but those in favor of the Maybank bill are thinking of more control. \* \* \*

We believe our dual system of banking is a necessity to the economy of the United States.

We think exchange is a legitimate charge, and we know that without these earnings, small banks like ourselves would have a hard time making ends meet.

Here is another letter:

DEAR SENATOR: Your letter received in regard to this Maybank bill, and after reading the viewpoint of Mr. Crowley, head of the F. D. I. C., which you no doubt have read, I cannot see any objection to the passing of that bill. Surely he must have as good a viewpoint of the whole banking system as anyone, and as I cannot see where there would be any evil to the passing of this bill, then surely you should be on pretty safe ground in following his advice.

Of course, I am personally interested, because if this bill is not passed it would appear that the small bank will lose its exchange. But just remember that the banking business is still a profit-and-loss business, and has to be operated the hard way, so that if your profits aren't enough to take care of the expense and losses, there isn't any Santa Claus that is going to make up the deficit.

Those small exchange charges which the country bank is getting, if eliminated, when you get right down to it, will be just that much profit which the small bank would be losing and transferred on the profit account of the bigger banks and business concerns. Take, for instance, our local situation when, before the highways were built and the closed cars came on the market, local merchants are now losing a big percentage of the business they had back in those days to the chain stores located in Minot, 45 miles away, and you know yourself that all this extra business to get out of a community in which they pay no taxes, at a cost of 10 cents per \$100 check drawn on the local bank, is a good deal for them.

Furthermore, we have already had the experience of being requested to par checks for certain customers, and have done so, and found out later that the big bank in Minot charged back the exchange anyway, and put that in their own pocket, so I figure one of the big things back of the exchange elimination is to make it possible for the big bank to add that much more onto their float charges and thereby pocket the exchange the country bank is getting, for their own benefit, instead of it going to the country bank. In other words, a bigger outfit is going to get this exchange in another way, instead of a little bank. You know too well that the more independent owner-operator business people that you can have in our country, that we are going to be that much better off than to have chain outfits doing the business instead of the little fellows, and anything that will tend toward taking this exchange from a little bank is another step toward having more and more chain and fewer and fewer owner-operator businesses.

Looking at it from all the other arguments against the bill, surely if anyone would see a danger to the banking system, Mr. Crowley ought to be able to see it in a position which he holds.

I have before me another letter. This is from one of the best bankers of the State of North Dakota. I telegraphed him as to whether I might use his name, and I have his telegram giving me permission. He says:

DEAR SENATOR: Thank you, Senator, for being good enough to request my views on the Maybank Senate bill No. 1642. Quite considerable quantities of various opinions—pro and con—on this discussion have reached us. The National Association of Credit Men oppose its passage with their



No. 1 opposition, fearing adverse par effects, while others against the measure assure us that nonpar banks can still charge the usual exchange.

We feel quite certain that the Credit Men in that the defeat of the bill will be of advantage to them in the completion of the "job" which they slipped over with the par clause in the Federal Reserve Act.

Digressing, I might say that that is exactly what has been said by some of the distinguished Senators on this floor. Mr. Munn continues:

We will take with doubts their assurance that they never have and never will oppose service charges. The teller's window at the bank upon which it is drawn is in reality the only place where a check is actually worth 100 cents to the dollar. Various free services en route may and do make the public believe otherwise.

The Federal Reserve par system was installed at a time when the needy borrowers were bearing nearly the entire burden of the banks' earnings. The greedy convinced the majority that the rediscount facilities enabling the banks to reach new heights on their loaning capacity would amply repay them for performing this free service of paying local deposits at any remote spot in the country. Please note that the Federal Reserve haven in times of stress did not hold the first inducement.

You ask for personal experiences. Shortly after the Federal Reserve was inaugurated the writer was urged to join. The officer, avoiding my questions as to loss of revenue in such a move on our part, had me ushered to the Federal examiner. The latter's answer was "You could make up the decreased earnings and then some by rediscounting freely with the Federal Reserve." He was glancing at our card statement. "The Federal Reserve would rediscount for you at 4 percent. You could loan out \$200,000 additional at 8 percent that would net you \$8,000 additional revenue, greatly compensate for the loss of earnings by joining." That extra \$8,000 looked very attractive except that I did not know where to find the \$200,000 of additional paper which would be paid at the 90-day maturity. I have thought of that incident many times since and very often about the time our deposits in the depths of the depression shrank 90 percent to \$27,500. The peak of that slump we attribute to the fact that we were on the par list previously and had with the shrinkage commenced service charges. That simply added fuel to the flame.

Right now people are making money. They don't object to reasonable service fees. When customers have to count the pennies, they will again first economize on those service charges. We had to go off the par list then and eliminate service charges. The depositors came back. They did not have much money but their accounts were on a profitable basis every time they mailed a check to a mail-order house, who we presume had enough profit to accept a check payable here for the goods that they were selling, or if not, required that exchange be added.

Correspondent banks are going to differentiate between profitable and unprofitable from banks the same as business generally among customers. The Federal Reserve furnishes free safekeeping, free transfer of funds, etc. Why not pass regulations declaring that those services are paying interest against the law? Or shall we by law and regulations drive all banks into a single system?

As you know, all the banks to the north of us are Canadian branch banks. During the time that I have been here, the branch closed its doors, not because they had poor loans. They were all good. But the poor loans were made at the head office. That community had taken stock in an amount

exceeding all the loans which they held at closing. When banks in North Dakota failed universally, the community was owing the banks more than the banks were owing the community. We simply had been trying out "the owing to ourselves" idea, confined to local trade territories here in North Dakota.

Unit banking makes for the development of local communities and that benefits the whole country. The Federal Deposit Insurance Corporation brings a Nation-wide viewpoint into the entire banking set-up. As for ourselves, we would commend Mr. Crowley for the position that he has taken on the Maybank bill.

Yours very sincerely,

W. T. MUNN, *President.*

I have also received the following letter from the Florida Bankers Association of Leesburg, Fla.:

FLORIDA BANKERS ASSOCIATION,  
Leesburg, Fla., April 25, 1944.

MY DEAR SENATOR: Enclosed for your consideration is copy of a resolution which was adopted at the fifty-first annual convention of the Florida Bankers Association held in Jacksonville April 11-12, 1944, by a majority vote of delegates of member banks of the association, asking your support of the Maybank bill, known as S. 1642.

Yours very truly,

J. CARLISLE ROGERS,  
*Secretary.*

Likewise, Mr. President, I have here scores of other letters from the State of North Dakota, and I ask unanimous consent that I be allowed to put these letters in the Record without attaching the signatures. They are from small banks in every section of the State of North Dakota. They are practically unanimous in support of the Maybank bill.

The PRESIDING OFFICER. Is there objection?

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

DEAR SENATOR LANGER: Your letter of March 22, 1944, received, for which I thank you.

From present experience, at the present time, our biggest item of earnings is exchange. To lose it will cripple the little country banks.

We are wholeheartedly in favor of anything you can do in regard to this bill.

Thanking you very much for calling this matter to our attention.

HON. WILLIAM LANGER,  
*Senate Office Building,*  
*Washington, D. C.*

DEAR SENATOR: Please permit me to bother you a little more on the above subject.

There is no question but what the pressure exerted by the Federal Reserve through various agencies, the under-the-surface maneuvering, and smoke screen have confused the issue so that many, including banks, cannot decide what is for the best interests of plain John Doe.

It is quite evident that the immediate objective is the elimination of exchange by State legislative action, which will be encouraged and expedited by defeat of the Maybank bill. The National Association of Credit Men, which is actively campaigning for outlawing exchange, argues that rather than charge mail-order houses, wholesale houses, etc., the small exchange fee for remitting for checks received by them from their customers, we should charge our own customers who give the checks. I fail to see their argument and do not believe we should take it from the small fry here for the benefit of the large corporations. Exchange is a vital part of the earnings of the small country banks and its elimination would be a

painful, and in many cases fatal, blow to such banks.

Furthermore, down at the bottom of the whole affair it stacks up as a fight between the F. D. I. C., supporting the dual system of banking, and the Federal Reserve, which opposes it. I don't believe you are in sympathy with the ambition of the Federal Reserve to force us into that system with consequent death of dual banking, and trust that further study of the situation will result in your support of the Maybank bill. If a copy is available please read Representative BROWN's letter of March 18 to the National Association of Credit Men, which states our side of the controversy very clearly.

HON. WILLIAM LANGER,  
*United States Senator,*  
*Washington, D. C.*

We urge your support of the Maybank bill. We believe that the passage of this bill is essential to the welfare of our banks.

DEAR SENATOR LANGER: When your letter of March 22, which has reference to the Maybank bill, S. 1642, came in, I was absent on my vacation, which accounts for the delay in replying.

We hope that you will give your support to the Maybank bill. It is our opinion that this is one way of heading off further control by the Federal Reserve bank, which would eventually lead to the elimination of the independent banks. It seems to us that we have too many Federal controls as it is. We note with considerable satisfaction that the Federal Deposit Insurance Corporation is supporting this bill and certainly they have contributed more to the upbuilding of the independent bank than the Federal Reserve bank has or ever will.

HON. WILLIAM LANGER,  
*United States Senator,*  
*Washington, D. C.*

DEAR SENATOR: Since writing you March 21 with reference to the Brown bill, we have had some time in studying both sides of the question, and we are now convinced that the bill should be passed. If we are to maintain a dual banking system, banks should have individual liberty in running their business in a way that best suits operations in their particular locality, without being tied down to some system that works best in some other place.

We kindly ask you to work for the passage of the Brown bill.

HON. WILLIAM LANGER,  
*United States Senate,*  
*Washington, D. C.*

DEAR SIR: We have given careful consideration to the issues involved in the controversy over regulation Q, and we are of the opinion that the interests of the banks of North Dakota are best served by the position taken by the Federal Deposit Insurance Corporation.

Exchange charges have long provided an important part of the income of the country banks of our State, and in the face of declining revenues from other sources their loss at this time would be a severe blow. As you know, a bank must have a reasonable income if it is to keep itself in a sound, solvent condition. We believe that regulation Q is a step toward the eventual abolition of exchange charges and possibly of the dual banking system.

We, therefore, earnestly urge you to support the Maybank bill.

HON. WILLIAM LANGER,  
*Senate Office Building,*  
*Washington, D. C.*

MY DEAR SENATOR: Received your letter and circular with regard to Maybank bill, S. 1642,



and after reading them, and many others, giving due consideration to small communities, entitled to enjoy the services of a bank, which would not be possible in many instances if exchange were eliminated. Consequently, I would appreciate it if you will vote for the passage of the bill.

P. S.—You know, the more enterprises in a community the better the community; such holds true with the States as well as the Nation. But let one own all, and see what's going to happen. I for one believe in living and letting live, which thought by so many of us is not entertained.

DEAR MR. LANGER: I urge your support of the Maybank bill, which permits the absorption of exchange charges by correspondent banks.

If there is any material profits made in the banking business, it is being made by the larger banks. Surely, if they want to absorb exchange charges they should be permitted to do so.

If exchange charges are absorbed by correspondent banks, there will probably be less pressure by the retail merchants association and by mail-order houses on the various State legislatures to pass laws prohibiting exchange charges.

The smaller banks must have the revenue obtained from exchange charges. If they are prohibited, then other service charges will have to be made to the depositors. For my part I would rather have the correspondent banks, the mail-order houses and the merchants pay these charges than to assess additional charges against our depositors' accounts.

In the event you have not used up your quota of names for the CONGRESSIONAL RECORD, I would be pleased to have you place my name on the list, so that I may receive a copy.

I was at the Nonpartisan State Convention in Bismarck last March and was especially pleased to have Beede get the endorsement for Representative, and well satisfied that the convention did a good job on the rest of the ticket.

Senator WILLIAM LANGER,  
Washington, D. C.:

After complete information we are in favor of the Maybank bill and urge you to support the bill. Believe this bill favors the small country bank.

Hon. WILLIAM LANGER,  
Bismarck, N. Dak.

DEAR SENATOR: The above bills are very much detrimental to the interest of banks, and we would like to see you support the minority report when they come up for action.

In the past years, practically no new banks have been organized, and many have gone out of business because it does not pay to operate. Considering the heavy investment necessary to start a bank, and the resulting responsibility and liability, it seems that investors can find ways to make more money and easier than to tie it up in a banking organization, and it is about time that banks be left alone. After all, a community without a bank is more or less a ghost town. Why put on more restrictions? We have enough now.

Senator WM. LANGER,  
Washington, D. C.:

Urge support of Maybank bill. Deem vital to country banks.

Hon. WILLIAM LANGER,  
United States Senator,  
Washington, D. C.

DEAR SENATOR: Just received your letter regarding the Maybank bill and I am glad to see you tell me I am wrong in suggesting

opposition to this bill. It has been so confused, but now it seems that it's a good bill for the small banks.

Thanks a lot and when you make Forman, I want to spend a little time with you, if your time will permit.

DEAR MR. LANGER: Your letter of April 13 has been received and you are entirely at liberty to use our telegram in favor of the Maybank bill.

We realize that the larger banks and corporations have managed to stack the cards against us so that we are in the minority, but we still maintain that elimination of exchange, to which defeat of the Maybank bill without question lead, will be a blow to small banks and will eliminate many of them.

Thank you for your interest.

DEAR MR. LANGER: Since sending you my telegram advising you that we were against the passage of the Maybank bill, S. 1642, we have made further study of the matter and it is very clear to us now, that this bill should be passed and we are writing you this letter advising you of our reversed position since sending you our telegram.

There has been so much confusion in this connection, that at first we thought that the passage should be opposed, but we now find that such is not the case and that the defeat of this bill is a planned matter by the Federal Reserve bank and its friends and pressure is being brought wherever it is possible to do so.

I am sure that you have made a sufficient study of this bill to see why we have changed our position for the passage of this bill and trust as you have indicated in your letter that you will favor the passage of this bill.

Hon. WILLIAM LANGER,  
Senate Office Building,  
Washington, D. C.

DEAR BILL: We independent bankers may be so darn independent that we refuse to following the position of our own Independent Bankers Association.

Shortly after the hearings before the House Banking Committee we sent out a general circular, and since then have sent a special circular to the bankers of your State. Of course, our little association is at considerable disadvantage. The Federal Reserve System has been extremely active in opposition to the Maybank bill. They have a tremendously large personnel and their influences are sufficient to prescribe the course of action to a number of State associations. We have had to operate pretty much alone and, of course, our association is not a very large organization.

We may be licked on the Senate side, but I feel that our position is logical and that time may prove us correct. The country bankers have been confused by the Federal Reserve System, and I am not much surprised that many of them are advising Congress contrary to their own interests.

I am glad that the hearings won't be held for a few days. It will give us a little more time to get out another circular that we are preparing, and I believe that many bankers who have been confused on the issue are getting the matter cleared up in their minds.

I want you to know that I appreciate very much your communications and the help that you have given me.

Hon. WILLIAM LANGER,  
Senate Office Building,  
Washington, D. C.

DEAR BILL: As per your wire of this date, we are enclosing a list of our members in North Dakota. I presume that many of these bankers felt that the Maybank bill would have about the same support as the Brown bill did in the House, therefore were

not active with their letters. I rather think you will begin to hear from the smaller banks very shortly.

It appears that in many States the big banks dominate the State associations, and they are using their influence in opposition to the Maybank bill. I am hoping that the hearing before the Senate Banking and Currency Committee may be delayed a bit so that the country bankers who respond rather slowly will have a chance to present their side of the argument.

Hon. WILLIAM LANGER,  
Senate Office Building,  
Washington, D. C.

DEAR BILL: Thank you for your favor of the 23d in which you enclosed a copy of a letter from the Farmers State Bank of Richardton. It seems to me from reading this letter that Mr. Geidt, the cashier, has confused himself on regulation Q and the Maybank-Brown bill. It is quite evident that he is opposed to regulation Q and in favor of the Maybank bill, although he states himself to the contrary in his first paragraph.

The Maybank bill leaves the bank alone; regulation Q imposes a regulation.

Many of the bankers are beginning to realize that the pressure that the Federal Reserve banks have put upon them to oppose the Maybank bill is contrary to their own interests. I understand that John Graham, the superintendent of banks for your State, put out a circular that was probably written by the Federal Reserve. There have been quite a good many letters pro and con and some of our bankers like Mr. Geidt are somewhat confused.

As I understand it, the hearings on the Maybank bill probably won't start before the middle of April. This will give time for the clarification of opinions and I am quite sure that the banking fraternity will begin to oppose legislation through regulation. The power of the Federal Reserve is considerable and they have exerted themselves tremendously in trying to formulate opposition to the Maybank bill.

From the correspondence that flows across my desk it would appear that the proponents of regulation Q have shot their bolt and that from now on opposition to this regulation will continue to increase.

I am very appreciative of your thoughtfulness in keeping me thoroughly informed.

Hon. WILLIAM LANGER,  
Senate Office Building:

Re telegram am writing you air mail in support of the Maybank bill.

SAUK CENTRE, MINN.,  
March 15, 1944.

Hon. WILLIAM LANGER,  
Senate Office Building,  
Washington, D. C.

DEAR BILL: I am just in receipt of both your telegram and your letter and I am very glad, indeed, to have this opportunity to express to you the views of our association on regulation Q and the corrective act in the Senate, the Maybank bill (S. 1642).

I spent 2 weeks listening to the testimony that was presented to the House Banking Committee. I believe the House Committee was influenced in its decision by the overall effects of regulation Q and not on the technical issue of whether or not the absorption of exchange constitutes the payment of interest.

Regulation Q if continued will have a tendency to eventually eliminate exchange. Many of the small country banks will have difficulty in substituting a service charge that will compensate them for the loss of this form of revenue. As an indication that par clearance is involved I am quoting from a letter of Congressmen FORD and CRAWFORD under date of March 7, which was sent to all



the banks of the country: "In our country almost all business is done by checks. These checks should be worth 100 cents on the dollar. Par clearance makes this possible."

If the nonpar banks lose the revenue from exchange many will probably join the Federal Reserve System as the Federal Reserve banks of each district offer inducements that are not offered by the private correspondent bank. If a bank is a member of the Federal Reserve System it might be more advantageous to drop its State charter and take a national charter. If this was quite generally done our dual system of banking would begin to disappear.

At the present time the majority of banks are nonmember banks but they are the smaller banks and their assets probably constitute less than 20 percent of the total bank assets of the country. Of course, there are arguments why all banks should belong to the Federal Reserve System but when we review the mistakes of past matters by the Board of Governors we are wondering if it is advisable to have every bank in the country a member of that system. As things now stand the preponderance of assets are already in the Federal Reserve System so that the economy could probably be handled through them now as well as it could if all the little banks were brought into the fold.

I have a feeling, BILL, that we are definitely centralizing too much authority in official Washington, that banks are now regulated to an unreasonable extent, that if this regimentation is carried much further banks will find themselves in a strait jacket and their ability to serve the public will be greatly lessened.

The Board of Governors of the Federal Reserve System picked out a bad time for more regulation. You know that every class of business now has to put up with a great deal of regimentation. The banks are burdened with governmental duties to the point where they have a little time for their own affairs. To bring on a new regulation which upsets a prevailing custom seems to be illogical. There have been some abuses in the absorption of exchange but the supervisory authorities already have sufficient powers to force a bank to discontinue any practice that constitutes bad banking. It seems to me that the Board of Governors are trying to legislate through regulation, that if they are not stopped now that they will carry on further and eventually other types of service charges may come under their disfavor. Service charges are essential to a bank today. The country bank cannot live off its note pouch and the returns from Government investments are rather negligible.

I am taking the liberty of enclosing a circular put out a short time ago which contains my testimony before the House Banking Committee.

During the hearing before the House Banking Committee the opposition was rather negligible but now this opposition under the lead of the Federal Reserve banks of each district is becoming well organized and they are going to exert much pressure on the Senate. It is my studied opinion that the Maybank bill constitutes good law and it should be passed. The House Banking Committee after a long study of the companion bill, the Brown bill, came to that conclusion and the House I understand passed it by about a 6 to 1 vote. The question is controversial, so controversial in fact that the American Bankers Association were noncommittal. Now I believe they will break their silence and probably appear in opposition to the Maybank bill. Of course, the A. B. A. represents all the banks of the country but the influences of the big bankers are quite pronounced. Our association, as you know, is a grass-root organization.

Hon. WILLIAM LANGER,  
United States Senate,  
Washington, D. C.

DEAR SENATOR: Your letter of April 5 has been received, and I am very much pleased to hear from you about the above bill, which I hope will pass.

With best personal regards, I am,  
Yours very truly,

P. S.—Springlike here. Farmers will soon start in fields.

BILL.

Senator WILLIAM LANGER,  
Washington, D. C.:

Strongly urge that you oppose Maybank bill, S. 1642.

Senator WILLIAM LANGER,  
Washington, D. C.

DEAR SENATOR: Your letters of March 22 and 27, with enclosures, have been received. I appreciate and thank you for writing to me. This Maybank bill seems to have gotten to be quite an issue and we have received so much literature on both sides of the question, that it would be hard to recommend what to do.

However, since wiring to you, the enclosed letter from the F. D. I. C. has been received, which seems to present more light on the subject than we had theretofore gotten. In view of this, it would seem that perhaps the Maybank bill should be passed. You are on the ground floor and acquainted with banking in North Dakota, and I am sure that you will make a proper decision.

We hand you letters from the Independent Bankers, the North Dakota Bankers, and the Minnesota Bankers Associations, which take an attitude opposite to the Federal Deposit Insurance Corporation.

We have had no personal experience in this connection, excepting that we do receive some items upon which we get exchange that had been routed differently heretofore.

Hoping you are fine, and with best regards, I am,

Yours very truly,

A lot of snow here.

DEAR SENATOR LANGER: We would like to operate this bank as we have in the past, and while we are much confused over the bills we are of the opinion that the Maybank bill will if passed allow us to continue as we have in the past, and for that reason we will appreciate your support of this bill.

Hon. WILLIAM LANGER,  
United States Senator,  
Washington, D. C.

DEAR SENATOR: This will acknowledge receipt of yours of the 16th in regard to the Maybank bill, known as S. 1642.

We have heard arguments both for and against this bill, as well as the majority and minority report on Congressman PAUL BROWN's bill, known as H. R. 3956, which passed some time ago.

We are very much in favor of having the Maybank bill passed in the United States Senate. We have a number of small banks in our State as well as other States, and should they be deprived of the exchange revenue there is no question in our mind that a good number of them will have to liquidate as the income from the exchange in many cases represents from one-half to two-thirds of the operating revenue. The banks in this State have charged exchange for over 30 years or more, and we cannot see any reason why that practice should be abolished at this

time as Congress has never declared itself in favor of universal par clearings. On the contrary, in 1917 Congress expressly amended section 13 of the Federal Reserve Act so as to authorize member banks to charge exchange on clearings which did not pass through the Federal Reserve banks. The Supreme Court of the United States in 1923 in the case of the *Farmers and Merchants Bank of Monroe, N. C. v. Federal Reserve Bank of Richmond*, in which the court held that they had no right to enforce universal clearings on the banks in this country. We believe that if par clearings should be made universal, it should not be made by administrative regulations, but only by act of Congress, and the present legislation merely carry out this thought.

We believe that the Federal Deposit Insurance Corporation's view on this matter should be considered carefully, and we agree fully with them. We are enclosing a circular letter that we received from them dated March 16, 1944, although they do not request any of the banks to support this legislation, we are sending it to you because we believe that will more clearly express the view of all independent banks, and especially smaller banks all over the Nation who receive a substantial amount of revenue from exchange charges.

We will appreciate hearing from you, and we hope that you may see your way clear to support this Maybank bill when it will come up to a vote in the Senate.

Mr. LANGER. Mr. President, as I view it, the Maybank-Brown bill has raised a great controversy in which the powerful Federal Reserve Board and the financial fat cats who run the banks of Wall Street are trying to destroy the independence, yea, the very existence, of over 2,700 small bankers in the agricultural sections of the South and Middle West. In such a dispute need I say where the cause of right and justice lies?

Mr. President, replying specifically to the argument made by the distinguished Senator from Michigan, when time and time again he said that this amendment involved only 2 percent of the deposit liability of this country, I will say that may be true. I do not concede it, Mr. President, but of one thing we are certain, and that is that this amendment involves nearly 20 percent of the banks of the country. There are, as the Senator said, 6,700 member banks in the Federal Reserve System, 4,800 nonmember banks that are on a par basis, and then there are 2,500 other banks. So we have, roughly, 20 percent of the banks that are vitally affected by this measure.

Mr. President, if what I have stated does not arouse the interest of my fellow Senators, let me say that the amendment also places squarely before the Senate a situation wherein the Federal Reserve Board, with that boldness all too often found these days in our executive agencies, has made an administrative ruling which has the force of law but which Congress has never authorized. Not only has Congress never authorized the ruling, but during the 30 years' life of the Federal Reserve System, Congress itself has repeatedly refused to interfere with the banking practice which this ruling tries to make illegal. This is the old, old story of a delegated power to do one thing being used to deal with an entirely different problem—a matter which Con-



gress itself has repeatedly refused to affect.

As I come from the State of North Dakota, I know a great deal about the practice of charging exchange. It has been a source of revenue which kept many of our North Dakota banks alive. I need not tell the Senate what keeping a bank alive means to a country town, whether the town be in North Dakota, or in Tennessee, or in Georgia, or in Florida, or in any other State in the Union which is more or less of an agricultural or dairy State. It means the difference between a living town and a dead town, a town which business comes to and a town which business shuns. I ask Senators, who knows best how North Dakota banks should be run? The men who have brought their banks through war and depression, through drought and crop failure, and drought and crop failure again? Or some young theorist, fresh from his college courses on money and banking, who gazes out of the high windows of the marble palace which houses the Federal Reserve Board at the far end of Constitution Avenue?

In the years prior to 1933, the country bankers used to get interest from the city bankers on the balances which they carried in the city banks. The country banks have to carry these balances in order to meet the demands of their customers who do business in the cities. They are prevented from investing this money because it is their reserve to meet the demands of their depositors. Vast sums are accumulated by the city banks which they are able to invest in Government securities which they can quickly liquidate because they have ready access to the Federal Reserve banks and to the security markets. So the city bankers make the profits which have always enabled them to pay interest for these funds. But in 1933, when Congress was swinging wildly to clean up the banking disaster which had almost ruined our country, a law was passed which made the payment of interest illegal, where the deposits were payable on demand. The idea was that this would prevent this money from being attracted to New York and other big money centers to be used to finance stock-market speculators. When this law was passed on June 16, 1933, it was needed. But since 1933 many other laws have been passed. Among these I have only to mention the Securities Acts of 1933 and 1934, which have set up a bulwark between the bulls and bears—they really should be called wolves—of Wall Street and the public upon whom they have always preyed. These laws have created the Securities Exchange Commission and given it many powers to regulate the securities business. Furthermore, under these laws the Federal Reserve Board has been given the broadest powers to regulate and control the use of credit for speculative purposes. Under this law the Federal Reserve Board has issued regulations fixing the margin requirements which brokers and bankers alike must live up to and restricting the making of bank loans to be used for security speculation. If these agencies exercise the powers given them by Congress, there never again can be

a run-away stock market; no longer will funds be attracted to New York for use in the stock market, because it can be kept under control.

Mr. President I may say that in the campaign that just closed, next to the war I believe the argument which most impressed the people in the rural areas was that we had the Federal guaranty of bank deposits, and I think that was true also in the election 4 years ago, and it has been true I believe in every election since the Federal Deposit Insurance Corporation law was enacted.

Therefore, I say the need for prohibiting the payment of interest on demand deposits has long since passed. I say that Congress should repeal this old law because it is no longer necessary—it no longer serves any purpose except to prevent the little banks from getting interest on the reserve deposits which the needs of trade compel them to keep in the New York banks. This is something for us to consider carefully in the future.

In the meantime we must adopt the pending amendment. The House passed a bill in similar language by a record-breaking vote early in March of this year and why the Banking and Currency Committee of the Senate has kept the bill in the committee all these months, I do not know. I repeat, it should have been reported to the Senate promptly.

Again I want to congratulate the senior Senator from South Carolina for bringing the provision out in the form of an amendment to the pending bill, and I sincerely hope the amendment will be adopted.

The purpose of the amendment is to permit the little banks to live. It permits them to live because many of them live largely on their exchange-charge revenue. It nullifies the Federal Reserve ruling which holds that the interest statute is violated when the city banks pay the country banks' charges on check clearings unless the city banks bill their depositors for them. The Federal Reserve says that for the city banks to stand the expense of collecting checks from the country banks is paying their depositors interest. Not satisfied with depriving the small fellow of the opportunity of getting interest for this money, the Federal Reserve now wants him to pay part of his bank's operating expenses as well. There was a day when money was worth something to the banker. Bankers are so anxious to get deposits, it is perfectly clear that money is still worth something to them. But the Federal Reserve works on the theory that a penalty should be imposed on the public by the banker who holds his funds. Do not pay John Doe Public any interest and make him pay the expense which the banks have always borne as well. So says the Federal Reserve. Let the poor man pay it, let the farmer pay it, let the laboring man pay it, but for heaven's sake protect the large banks.

Of course the purpose is to pass the small banks' charges back to the public instead of letting the big city banks pay them as they have done ever since banks did business with one another. The reason is to make trouble for the little banks by stirring up public resentment against

their charges and in this way force them to discontinue these small charges. The Federal Reserve calls this going on the par list and there has been a historical fight between the Federal Reserve and the small bankers on this question which came before Congress in 1917.

After the Federal Reserve System was set up certain Federal Reserve banks instituted compulsory par remittance by member banks on checks sent through them. In 1915 the Federal Reserve Board instituted a voluntary par remittance plan. However, this failed in a number of areas because of the small percentage of banks, 25 percent, which agreed to remit at par. In 1916 the Federal Reserve Board instituted compulsory par remittance which was put into effect in the face of intense opposition on the part of many national banks in country areas, and the efforts of a committee of the American Bankers Association to obtain postponement of the compulsory plan failed. Although many of the larger banks favored the compulsory plan because they were already remitting at par, the then—1916—president of the American Bankers Association declared his sympathies with the country banks in these words—mind you, Mr. President, this is a president of the American Bankers Association, speaking in 1916:

The transfer of funds is a service—

Not interest, Mr. President—

a service which is as much entitled to compensation when made by a bank as it is when made by an express company or by the postal officials.

A committee of the American Bankers Association reported at the 1917 convention that it had sounded the opinion of bankers and that more than 75 percent opposed the par collection plan. Mr. President, I regret that the senior Senator from Michigan is not in the Chamber at the present time to get the official figures as to what the members of the American Bankers Association thought even in those days.

However, as the Federal Reserve Board had observed in the preceding year, the force of competition with par-clearing member banks was driving many non-member banks onto the par list.

In 1916, section 13 of the Federal Reserve Act was amended expressly to permit banks to make reasonable exchange charges on collections otherwise than against the Federal Reserve banks. In accepting this amendment, the nonpar banks, supported by an opinion of the general counsel of the American Bankers Association, had understood that the amendment would permit nonmember banks to charge exchange on collections which the Federal Reserve banks were handling in the customary agency capacity. However, the Attorney General in 1918—Thirty-first Opinion, Attorney General, pages 245 and 251—issued an opinion to the contrary, so that non-member banks were prohibited from charging exchange not only on collection items owned by the Federal Reserve banks, but also on those which they were handling in an agency capacity. This deprived banks of the clearing facilities of the Federal Reserve banks



for checks drawn on nonpar banks, and the situation in this respect has since remained unchanged.

In September 1943 the Federal Reserve Board issued its ruling that absorption of exchange was interest, and it has been battling in a most extraordinary manner to make all banks comply with its ruling. It has fought to break up the practice which its ruling outlawed even while Congress has been considering this legislation. The Federal Reserve Board would like nothing better than to have the Committee on Banking and Currency continue consideration of this bill, as it has considered it for many months already.

The Federal Reserve Board has been carrying on a country-wide campaign to get banks which are not directly affected by its ruling to oppose this bill; and the result has been a flood of telegrams asking some Members of this body to oppose this measure. The chief claim has been that this bill will destroy the Federal Reserve System. How utterly absurd. If the Federal Reserve hangs by such a slender thread, let it be cut now so that we may no longer be blind to its weakness.

I agree with every word that was said by the distinguished senior Senator from Tennessee [Mr. McKELLAR]. He put his finger on the vital issue with which we are concerned today.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. LANGER. I yield.

Mr. McKELLAR. If this amendment would destroy the Federal Reserve System, why has it not been destroyed during the 9 or 10 years the Federal Reserve System has acquiesced in this very method of handling business?

Mr. LANGER. Of course, Mr. President, the question answers itself. It shows how very specious is the argument made by the Federal Reserve Board.

Mr. President, I am sure that the Members of this body are too courageous in their respect for right and justice to yield to this kind of lobbying. I have upon my desk many letters sent by the Federal Reserve Board to bankers in the State of North Dakota, which letters have been forwarded to me.

Every bureaucrat who makes an illegal ruling wants his hand upheld and puts up an awful howl when Congress takes steps to protect the public from his abuse of authority. The worse the trespass on the public's rights, the louder do they cry. That is what is happening in this case.

The Federal Reserve ruling was to prohibit the absorption of exchange, but its purpose was to prohibit exchange itself, because by making exchange charges a nuisance through forcing every bank to charge them back to the public, instead of paying them as part of their operating expenses, the Federal Reserve hopes to force the little banks to cease charging exchange or to go out of business. Mr. President, in this very year more small banks have gone out of business in the State of North Dakota.

Let me show how this system works. Farmer Smith lives in a small agricul-

tural community and is a depositor in the Farmers State Bank of Williston, N. Dak. This is an independent, locally owned bank catering exclusively to the residents of the town and the farmers residing in the immediate vicinity. Mr. Smith buys some equipment from a store in Chicago for \$100. He sends his check in that amount to Chicago and receives the merchandise. The Chicago store deposits the \$100 check with its bank in Chicago, receiving credit to its deposit account for \$100. At this point, for all intents and purposes, Mr. Smith and the Chicago store have concluded their transaction. The remainder of the transaction is wholly a banking function, of which both Smith and the store are completely ignorant. The Chicago bank transmits the \$100 check to its correspondent, the Minneapolis National Bank, of Minneapolis, Minn., with instructions to collect the check and credit the proceeds. The Minneapolis bank acts as correspondent, not only for the Chicago bank, but for many other banks throughout the country for the purpose of collecting checks drawn on banks in Minnesota. The Minnesota bank sends the \$100 check, together with other checks drawn upon the Farmers State Bank of Williston, to the Farmers State Bank for payment. The Farmers State Bank remits to the Minneapolis bank by a draft drawn upon an acceptable point, probably Minneapolis, and charges exchange at one-tenth of 1 percent. Thus, the draft executed and mailed to the Minneapolis bank is in the amount of \$99.90. Ten cents is retained by the Farmers Bank of Williston as an exchange charge for this service. It should be noted that if the Minneapolis bank presented Mr. Smith's check at the counter of the Farmers State Bank at Williston, the check would be cashed at par.

I wish to repeat that, Mr. President, because the statements which have been made upon the floor of the Senate are misleading. It should be noted that if the Minneapolis bank presented Mr. Smith's check at the counter of the Farmers State Bank at Williston, the check would be cashed at par. The Minneapolis bank credits the deposit account of the Chicago bank with \$100 and absorbs the 10 cents exchange charge as a part of its operating costs. It feels that it is able to do this because it has made profitable use of the earning power of the deposit which the Chicago bank maintains with the Minneapolis bank.

If the present regulations of the Federal Reserve Board are enforced, that Minneapolis bank will no longer be permitted to absorb this exchange charge. Having received only \$99.90 from the Farmers State Bank of Williston, the Minneapolis bank will be able to credit the Chicago bank only with the amount it has collected on the check, namely, \$99.90. The Chicago bank, not being able to absorb any charges in relation to the account of the store, can only notify the store that, having received a net credit of only \$99.90 from the check of Mr. Smith, the store must remit an additional 10 cents in order to obtain deposit credit for the full amount of \$100. The store will then demand the remittance of 10

cents from the original maker of the check, Mr. Smith. Under these circumstances, Mr. Smith would undoubtedly step into his small, locally owned bank and would demand that it remit the 10 cents; and no doubt he would threaten the shifting of his business to a so-called par bank, where the exchange charge would not be imposed, but where the expenses would be absorbed by the Federal Reserve System as an over-all banking expense. The result would be a shaking disturbance of a depositor relationship that has been satisfactorily in existence for a long time.

Many small banks have been experiencing great disturbance among their customers as a result of this ruling. I know, Mr. President, because I have received telegrams to that effect from bankers in the State of North Dakota. I say that concerns from whom bank depositors make purchases for which they pay by check are told that it is illegal for the bank to absorb the exchange charge. That causes them to complain to the little bank's depositor, who immediately is given the impression that his bank has just started charging exchange and that the practice is wrong. That is only natural, because the Federal Reserve says it is illegal. It is also natural for him to think it is a new practice, because he never had any difficulty until the Federal Reserve ruling was made, although his bank has been charging exchange for many years. So he complains to his banker, and possibly he moves his account to some nearby city bank where exchange charges are not necessary. The whole process tends to force the country banks to go on the par list. That is just another way of saying that the Federal Reserve has succeeded in forcing the banker to discontinue charging exchange which is legal under the law of his State and which in 1917 Congress said was legal under the Federal Reserve Act as well.

Now let me make clear that these things are happening all over the South and Middle West today, and many bankers are being forced to change their method of doing business, all because of the Federal Reserve Board's ruling which Congress never authorized.

Mr. President, in conclusion I say again that the distinguished senior Senator from South Carolina [Mr. MAYBANK] is to be congratulated for the work he is doing in behalf of the farmers, the dairyman, and the laboring men of the country, in so tenaciously sticking by his guns in the face of the opposition which has developed here, particularly on the part of those who come from large banking centers.

Mr. MALONEY. Mr. President, this afternoon I received a message from the chairman of the Committee on Banking and Currency, the Senator from New York [Mr. WAGNER], who finds it necessary to be in New York. He has asked me to advise the Senate that the pending proposal originally submitted in the form of a bill, is now pending before the Committee on Banking and Currency, and that the committee is in the midst of its hearings on it. He has asked that I emphasize to the Senate that the officials



of the Federal Reserve Board are just about to testify before the committee and that they are very anxious to be heard on this measure. He has asked me to tell the Senate as well that bankers from various parts of the country and officials of banking associations who profess to be vitally concerned have not yet had a chance to testify, but they hope to be able to testify before the matter is acted upon by the Senate.

Mr. President, I myself am a member of the Committee on Banking and Currency, and I presume that is why the chairman of the committee submitted the request to me. But, unfortunately for me, I have been unable to attend several of the sessions of the committee dealing with this proposal, due to the fact that I had to be in attendance at other committee meetings. However, Mr. President, I feel obliged to express on behalf of the chairman of the committee the feeling that it would be unwise to rush to a conclusion upon this measure at a time when high officials of the Government are requesting an opportunity to be heard before the committee, where they have not yet been afforded an opportunity to present their case.

I myself need further enlightenment, Mr. President; and I would not feel justified in voting favorably upon the pending amendment until those who profess to see a danger in the adoption of the amendment have a chance to fully member of the Committee on Banking advise the committee.

Mr. TAFT. Mr. President, I am a and Currency, and I have attended the hearings. The hearings began last week, on Thursday, as I recall. For 2 full days—Thursday and Friday, if I am correct—the committee heard the proponents of the measure, although I understand that on Friday afternoon there was difficulty in having any of the members of the Senate committee leave the Senate Chamber to attend the committee meeting, and therefore perhaps the hearings could properly be said to have extended over a period of a day and one-half.

When we met on Monday morning of this week to hear the opponents of the measure, one or two of them testified. Four more proponents remained to be heard, and we heard from proponents of the measure all the rest of the day. On Tuesday morning we heard some proponents and some opponents.

Certainly the opponents have not yet completed their testimony. It seems to me that the most important of the opponents are the officials of the Federal Reserve Board themselves.

Personally, Mr. President, I am inclined to oppose the measure. The only thing which deters me is the question whether the interpretation of the law holding that the absorption of exchange charges is interest is in accordance with the law which was passed by Congress, or, in other words, whether the Federal Reserve Board in issuing regulation Q has gone beyond the authority given it by Congress.

That is the question I have intended to propound to the Federal Reserve Board officials, and I have intended to endeavor

to obtain some answer which would determine my view regarding the measure.

It seems to me unfortunate that the measure should be attached to a bill with which it has nothing whatever to do. If its proponents are dissatisfied with the action of the committee on it, it seems to me they have a perfect right to move that the committee be discharged from further consideration of the bill. Of course, I do not think that should be done until the hearings are concluded. They will take another day. I understand there are many bankers who wish to be heard against the bill. But I do not think the chairman of the committee is inclined to prolong the hearings or to have repetitious testimony. I should think the hearings could be completed tomorrow, or certainly not later than Friday.

Mr. President, I certainly could not vote for the measure at the present time.

Mr. ELLENDER. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. McCLELLAN in the chair). Does the Senator from Ohio yield to the Senator from Louisiana?

Mr. TAFT. I yield.

Mr. ELLENDER. Let me inquire why the hearings have been delayed so long. Can the Senator tell us?

Mr. TAFT. That I cannot say. That is for the chairman of the committee to say. Unfortunately, he was away yesterday, and he is still away today. I understand he will be back tomorrow.

In view of the fact that it is now 10 minutes of 4, I think further consideration of the amendment should be deferred until tomorrow, when the chairman of the committee will be here.

Mr. ELLENDER. I presume the Senator from Ohio will concede that, in view of the approaching end of the Congress, there is no chance of the proposal of the Senator from South Carolina being acted upon as an independent bill. If it is to be passed upon at all, it must be attached to some other bill.

Mr. TAFT. The Senator's presumption is based on the assumption that the proponents of the measure are opposed to having the committee consider it further. But in that event, it should not be attached to a bill with which it has nothing whatever to do.

Mr. ELLENDER. That is what I had in mind when I spoke a moment ago. I doubt that the bill will ever be reported by the committee at the present session.

Mr. TAFT. I have made only a very casual poll of the committee, but I think three Democratic members and two Republican members of the committee may be in favor of the bill, and perhaps the other members of the committee may be opposed to it. However, I am not sure of that. Perhaps the proponents of the bill may know about that.

However, I could come to no final conclusion until I had an opportunity to question the officials of the Federal Reserve Board.

Mr. LANGER. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. LANGER. Is it not true that the committee has had the bill since last March?

Mr. TAFT. I should think the committee has had it at least that long. However, I have seen the calendar of the Banking and Currency Committee and the calendar of the Committee on Finance, and I should think that both committees have on their calendars two or three hundred bills which have been there for the last year or so. That point alone is not sufficient ground for attaching the measure to another bill. I should think the Senator should give notice that he is going to move that the committee be discharged from the further consideration of the bill, if he is not satisfied with the action of the committee.

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. MAYBANK. The Senator stated that similar delay has occurred with regard to several bills referred to the Committee on Banking and Currency. I should like to ask the Senator from Ohio if any other bill which passed the House by a vote of almost 2 to 1 and was referred to the Senate Committee on Banking and Currency in March of this year has not been considered by that committee?

Mr. TAFT. I have no way of knowing. I know that I have two bills pending before the committee. I have urged the chairman to hold hearings on the bills. They are Senate bills, of course.

Mr. MAYBANK. I have in mind the pending amendment which as a bill was introduced last January and was passed by the House. It passed the House overwhelmingly in March. What the Senator has said about hearings commencing last week and running through this week, is correct, except that the Federal Reserve Board has decided to be heard tomorrow and complete their testimony perhaps on the same day. Then we shall have to take testimony of the F. D. I. C. In other words, we shall have to consider two Government agencies, one charged with insurance and the other charged with laws governing banks, and they will both have to be heard.

Mr. TAFT. Mr. President, it seems to me that the Senator from South Carolina states excellent reasons for postponing consideration of the bill. We have before us a matter on which two departments of the Government have taken a stand, and to proceed without first taking testimony from them seems to me to be an extraordinary procedure for the Senate to undertake.

Mr. MAYBANK. I suggest that because of the length of time taken by the House of Representatives in consideration of the bill, and the protracted hearings held there, the House hearings could be made use of by the Senate committee.

Mr. TAFT. I have not read the hearings conducted by the other house, and I do not know what is contained in them. I am not defending the action of the chairman of the committee. It seems, however, that when we are in the midst of holding hearings we should hear the most important witnesses.

Mr. MAYBANK. I do not intend to



criticize the chairman of the committee. I merely state actual facts.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. ELLENDER. What efforts have been made to hold hearings on the bill?

Mr. MAYBANK. On many occasions I have asked for the holding of hearings on the bill. I not only spoke in the Committee on Banking and Currency, but also on this floor before the June recess. On several occasions I urged that hearings be held on the bill.

Mr. ELLENDER. What reasons were assigned for not holding the hearings?

Mr. MAYBANK. I have not only asked that hearings be held, but other members of the committee, as well as Senators who are not members of the committee, have made similar requests.

If my memory serves me right, from time to time both Senators from Georgia talked to me about the matter. The Senator from Alabama [Mr. BANKHEAD] is a member of that committee, and I should like to hear him make a statement.

Mr. TAFT. Mr. President, I do not know why the chairman of the Banking and Currency Committee did not hold hearings unless it was the fact that all during last spring the committee was engaged in hearings on the O. P. A. bill. I believe hearings were held at great length in regard to that matter.

Mr. BANKHEAD. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. BANKHEAD. I wish to confirm what the Senator from South Carolina [Mr. MAYBANK] has said. His statement is not in conflict with what the Senator from Ohio has said. However, I believe that all members of the committee realize that a very diligent effort was made to have hearings held on the bill. The bill was introduced in the Senate in January. As the Senator from Ohio has said, we were then engaged in holding hearings on the price-control bill. Those hearings continued for a period of many weeks. Throughout all that time, while the matter of holding hearings on the bill in question was from time to time mentioned, the chairman of the committee, the senior Senator from New York [Mr. WAGNER], was engaged in conducting the hearings to which I have referred. He would not give consideration to any other controversial matter. At first the bill was referred to a subcommittee of which the senior Senator from Virginia [Mr. GLASS] is the chairman. The majority leader, the senior Senator from Kentucky [Mr. BARKLEY], was the ranking Democrat on that committee. I was next in order.

The question arose with reference to hearings, and the chairman of the committee, after considerable discussion, said that he would refer the bill to a subcommittee and would expect the senior Senator from Kentucky to hold hearings. After some delay and some application—I am sorry neither of the Senators is here—the Senator from Kentucky told me that he could not give the bill the attention that it deserved, and asked me

to take charge of it. I proceeded with the matter and gave attention to the holding of hearings. Within a short time the chairman of the committee stated to me that he thought the bill was of such importance and of such a character that the hearings on it should be held by the full committee. Of course, I did not resist, I was merely acting by request. So I told him that that would be all right, and for him to take charge of the bill. I did not wish to object to his request that the full committee handle the matter.

Since then I have spoken to the chairman of the committee on a number of occasions. The matter of making continued and repeated requests for hearings became quite embarrassing.

The time for primary elections soon arrived, and we all know the difficulty involved during such a time. We know of the time consumed in making senatorial races; and the chairman of the committee had a race on his hands. He was frequently absent from the city. Other reasons of a personal nature caused him to be absent part of the time. Nevertheless, we were never able to hold hearings, notwithstanding diligent efforts to do so.

I polled the committee. I ascertained like the Senator from Ohio, that a majority of the committee was opposed to the bill, but we wanted to get the bill before the Senate in some way, either by a favorable or an unfavorable report. We did not want it to be left in the position of no hearings having been held, and we proposed to go ahead and hold hearings, regardless of the attitude of the majority of the committee.

Hearings were held for 3 weeks by a committee of the other House. All the witnesses now to be examined were examined there. Printed copies of the hearings are available to any Member of the Senate who wishes to read them. We know from experience that if hearings were to be held every minute from now on until completed, no Member of the Senate would have time to read them, and the result would not be very helpful. Every Member has formed an opinion with regard to the bill, and hearings would not change his opinion. One agency of the Government, the Federal Deposit Insurance Corporation, has supported the passage of the bill because, as claimed before the House, to let the situation remain as it is would be very injurious to the small banks of the country, and would be likely to cause a number of them to go out of business, especially when conditions return to normal. The Federal Reserve Board, on the other hand, has vigorously resisted the bill, and it has threatened to occupy 2 or 3 weeks of time with its witnesses.

It seems to me that now, when we are nearing the conclusion of this session, the Senate should proceed to vote on the merits of the bill; and, in my judgment, it should be passed.

Mr. MAYBANK. Will the Senator yield?

Mr. TAFT. I merely wish to say that I should like to speak on the amendment, and I am not prepared to do so today. I certainly should like to have it under-

stood that the amendment will not be finally voted on or disposed of today.

Mr. MAYBANK. Will the Senator yield?

Mr. TAFT. I yield.

Mr. MAYBANK. It is not my intention in any way to close any debate on this floor in connection with the amendment. I hope that as many Senators as possible will speak on the bill. I might also say—and I am sure the Senator from Ohio will agree with me—that the fact that we have not completed the hearings is due to circumstances beyond the control of the members of the Banking and Currency Committee, some of them being members of the Committee on Foreign Relations and some occupied otherwise, which has made it impossible for Senators to attend the hearings, so that most of the time there have not been more than three or four members present.

Mr. TAFT. I have not been there all the time, and I have been more than any other Senator, I believe, except the Senator from South Carolina.

Mr. MAYBANK. I am not criticizing, but what is the use going on with hearings when members of the committee are engaged in other committees and with other duties?

Mr. TAFT. Of course, the answer is that if committees have not time to consider a bill, the Senate should not vote on it. That is the principal answer. If Senators have not had time, we should postpone it. However, I have stated my opinion, that it should be postponed; but if we are to proceed, I should like to speak tomorrow and not be forced to speak today.

Mr. WHITE. Mr. President, in view of what has been said by the distinguished Senator from South Carolina, may we understand, then, that the amendment is not to be voted on this afternoon?

Mr. MAYBANK. I yield to the majority leader to answer.

Mr. HILL. Mr. President, we have to dispose of the pending bill. We have a number of nominations, as the Senator knows, which we desire to dispose of. They are the nominations out of the Foreign Relations Committee, and the nominations which have been pending before the Senate Committee on Military Affairs, the former being the State Department nominations, the latter being the nominations to the Surplus Property Disposal Board. Then, as the distinguished Senator knows, all of us are anxious to have the calendar called.

Mr. WHITE. Will the Senator yield at that point?

Mr. HILL. I yield.

Mr. WHITE. That was partly in my mind when I asked whether it might not be understood that there would not be a vote on the amendment today, because yesterday the Senator from Alabama gave notice that we would have a call of the calendar today. I think he assumed the crop insurance bill would be out of the way.

Mr. HILL. I have stated that after disposing of the pending bill, I should then ask for a call of the calendar.

Mr. WHITE. Many Senators have had in mind that there would be a call



of the calendar today, and I have no doubt that some have been in attendance expecting the consideration of calendar bills. I think we would make progress if we devoted the next hour or so to a call of bills on the calendar.

Mr. THOMAS of Oklahoma. Mr. President, the pending bill was reported and placed on the calendar on the 2d day of December. Today is the 13th. So the bill has been on the calendar for 11 days, and during that time I have made efforts to have it considered. The flood-control bill was first before the Senate and then the rivers and harbors bill was considered and occupied considerable time. The Senator in charge of those two bills would not yield so that the crop-insurance bill might be called up. During that period I remained here and saw many bills go through the Senate by unanimous consent, and I do not think I would be justified now in yielding for any further business to be transacted save the pending business, excepting, of course, matters as to which the Senate is unanimous.

I do not think further hearings would change any votes. I do not think the Committee on Banking and Currency would be able to complete its hearings in time for a report to be made on the bill of the Senator from South Carolina. The pending bill has passed the House; it has probably 15 amendments to it. The Senate bill is now much different from the House bill; it must go to conference, and if the Congress is to adjourn within the next few days, and if this bill is to be passed, it must be acted upon promptly.

I do not wish to be arbitrary, I desire to be reasonable, but I do want to have consideration of the bill concluded at the earliest possible moment.

Mr. HILL. Would the Senator feel that it would be agreeable to him for the Senate to consider bills on the calendar for the remainder of the day, and then proceed with the consideration of the pending bill tomorrow? I wish to be perfectly frank with the Senator, however, and say that if the Committee on Foreign Relations acts this afternoon on the nominations of the Under Secretary of State and the Assistant Secretaries of State, very likely we will have to go into executive session early tomorrow for the consideration of the nominations.

Mr. THOMAS of Oklahoma. Mr. President, if we could have positive assurance that hearings would be held on the bill of the Senator from South Carolina before the Committee on Banking and Currency and a report on the bill made to the Senate by that committee within the next 24 hours or so, of course that would be all-persuasive, but I am satisfied that cannot be done. There is no chance to complete the hearings on the bill in the committee and have a report submitted to the Senate; so that there is no one in the Senate who would have the benefit of the judgment of the Banking and Currency Committee as to what should be done with the proposal of the Senator from South Carolina. That being true, if anyone desires to speak on the amendment, for or against it, that is different, but unless there is someone who desires to speak on the amendment, irre-

spective of the hearings on the bill in the committee, then I shall be glad to hear him now. Of course, I should not object if we could get an agreement to vote on the amendment some time tomorrow within a reasonable time, if anyone desires to speak. I suggest that the majority leader and the minority leader try to agree on a time for a vote, if that can be arranged.

Mr. HILL. I wonder if it would be agreeable at this time to suggest a time for the disposition of the pending amendment.

Mr. WHITE. Mr. President, if that inquiry is addressed to me in any respect, I should not feel warranted at the moment in agreeing to any definite time for a vote on the amendment. I have had no opportunity to consult with members on this side, and I hardly feel it is quite my obligation or my privilege to commit this side to a definite time for a vote.

Mr. THOMAS of Oklahoma. So far as I know, there is no Senator who wishes to speak on the amendment save the Senator from Ohio [Mr. TAFT], who announced a little while ago that he was not ready to speak now, but that he desired to speak at some time if he had the opportunity.

Mr. MAYBANK. Mr. President, there are two Senators who wish to speak in favor of the amendment. Several have told me they desired to have something to say.

Mr. HILL. Are they prepared to speak at this time?

Mr. MAYBANK. Some have suggested that I make the point of no quorum, for two of the Senators who said they could return. I did not ask them whether they were prepared to speak at this time or not. The Senator from Massachusetts [Mr. WEEKS] I understand is to speak, and he is already on the list.

Mr. HILL. There are two, I understand, who are prepared to speak. I understand the Senator from Massachusetts is prepared to speak at this time.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from South Carolina [Mr. MAYBANK].

Mr. WEEKS. Mr. President, there are one or two points in connection with the amendment which I wish to discuss briefly.

Prior to the passage of the Federal Reserve Act, there was no such thing in this country as par clearance of checks. The collection of checks involved great expense in exchange charges and considerable delay.

Then came the Federal Reserve Act, in 1913, and I remind Senators that one of the cardinal objectives of the Federal Reserve Act was to provide for par clearance of checks in this country so that the seller and the customer in exchanging merchandise need not run up against the expense of exchange charges and delays in the collection of funds.

Following the inauguration of the Federal Reserve Act, about 82 percent of the banks of this country subscribed and became members, or agreed to clear their checks through the Federal Reserve System. This 82 percent of the banks today represents about 98 percent of the

banking deposits in the country. Some banks stayed out of the system, and today about 2,500 banks remain out of the Federal Reserve System or do not use the Reserve System collection facilities. This is the situation as it exists today.

Now I think it is variously and accurately, I believe, estimated, that about 90 percent of the business transactions in this country are carried on by the medium of checks. The other 10 percent are cash transactions.

I want to point out as forcefully as I may that a cardinal objective of the Federal Reserve System was to provide a system by which merchants buying and selling commodities all over this country might exchange funds without those funds being subject to a discount, to put it the other way around, subject to a charge for collection. In other words, as I see it, what we tried to the best of our ability to do was to set up a system which would enable a merchant in the State of Washington, who might be selling to a purchaser in the State of Alabama to collect his bill by check without the funds being subject to an exchange charge on either end. When banks are enabled indiscriminately to charge exchange it is in effect a shaving of the currency, for the simple reason that if I buy from a man living in California and I live in Massachusetts, I can pay the bill in currency and he can collect the face amount of the bill, whereas under a system of exchange charges if I pay him by my check, which check is subject to a fee for collection, the face of the check is reduced by that amount and in effect it shaves the currency; and remember that 90 percent of the business transactions in this country are settled by check.

I have no intention of speaking at any length on this particular subject, but I do want to remind Senators that for 30 years we have had a Federal Reserve System duly created and established, and one of its cardinal objectives was, I repeat, to enable business to be transacted all over this broad country without the payment of a tariff on the collection of the bills which business renders.

Mr. McKELLAR. Mr. President—

The PRESIDING OFFICER (Mr. McFARLAND in the chair). Does the Senator from Massachusetts yield to the Senator from Tennessee?

Mr. WEEKS. I yield.

Mr. McKELLAR. The Senator is also aware of the fact, is he not, that during that 25 years—I believe it is about that, or perhaps a little less—these charges have been made with the concurrence of the Federal Reserve Board, and that system has been in vogue the entire time until the Federal Reserve Board a short time ago changed it.

Mr. WEEKS. Mr. President, in response to the distinguished Senator from Tennessee, I may say that, when the Federal Reserve System was set up there was no compulsion upon banks to join the System. So far as I know there is no compulsion today upon a bank to join the System. But after the troublous times of the panic of 1907, a monetary commission was created to study the bank-



ing and currency set-up, and it finally recommended the Reserve Act, and the Reserve Act was passed. Those who participated in the enactment of that very important and very vital legislation considered that something had to be done, and, as I have tried to point out, one of the things they tried to accomplish was to enable business to be transacted without paying a tariff for collecting the bills which might be incurred.

Mr. McKELLAR. But the trouble with the Senator's statement is that for 9 years the Federal Reserve Board, while it has not endorsed it, has complied with the custom which theretofore existed, that exchange charges be absorbed by the larger banks, and that has been done. It is only for about a year that there has been any attempt whatever upon the part of the Federal Reserve Board to interpret the part of the act the Senator has referred to, which it now declares is its authority for changing the law. What I want to know is, why did the Federal Reserve Board agree to the exchange charges all these years, and only recently change the practice?

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. WEEKS. I yield.

Mr. MAYBANK. The Senator was discussing the same matter somewhat earlier today, and he mentioned the situation in South Carolina. I may say for the Senator's benefit that in his absence I explained the fact that during these years excellent advance has been made in this country in the matter of banking and banking facilities. The Congress of the United States has passed laws which have bettered conditions in every way possible. Simultaneously the States of the Nation have done the same thing. For instance, the State of South Carolina has materially bettered its banking laws. The regulation which has been discussed was in existence in 1933. Since 1933 South Carolina has passed laws bettering its banking facilities and conditions upon the basis of what the people at that time interpreted the laws of Congress to mean.

In other words we have a law, as was testified to before the committee when the Senator from Ohio [Mr. TAFT] and other Senators, including the Senator from Arkansas [Mr. McCLELLAN] and the Senator from New Jersey [Mr. HAWKES], were present, providing that the money deposited in State depositories of our State cannot be loaned nor can it be invested. Therefore the depositories rely entirely upon a small-service charge and exchange. Since that law was passed it has been amended so as to allow a part of the deposits to be invested in Government bonds. So I might say to the Senator that I think by its action at this late day the Federal Reserve Board, after permitting this custom to prevail for 9 years, has not treated fairly the States which in those years were passing laws to better banking conditions, the theory of the legislators of the States being that the Federal Reserve would carry on as it had been, without this prohibition now known as order Q.

Mr. WEEKS. Mr. President, let me say that since the passage of the Federal Reserve Act every step that has been taken has been taken in the direction of trying to perfect the system of par clearance of checks in this country.

The first amendment was the so-called Hardwick amendment in 1917, which prohibited banks from charging exchange rates on checks collected. The next step was when the crisis of 1933 came upon us. Funds had been collected in the banks in the central reserve cities, and were hastily drawn out, which created the banking crisis of 1933, threatening the solvency of a good many banks.

At that time there was adopted the amendment offered by the distinguished Senator from Virginia [Mr. GLASS], which provided that "no member bank shall, directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand."

Then there arose the question of the interpretation of "interest." I wish to read from a statement showing what brought the Federal Reserve Board to its present action in this matter:

So the matter rested until September 1943, when the Board ruled in regard to a specific bank which had, during 1942, absorbed exchange charges amounting to \$18,576 out of a total of \$25,187, while its correspondent bank deposits increased from \$7,000,000 at the end of 1941 to about \$18,000,000 in June 1943."

It was pointed out that this bank, in hundreds of cases, had absorbed exchange charges of many depositors in return for compensating balances, and that in some cases the absorption of charges amounted to as much as two or three percent of correspondent balances with the bank. Furthermore, it was shown that this bank did not absorb exchange charges when compensating balances were inadequate to cover the cost.

In other words, while this situation has been developing, the banks which have approximately only 2 percent of the banking deposits of the whole country have been charging exchange and have been creating a situation which might very well develop into the same type of situation which we faced in 1933, when the distinguished Senator from Virginia offered his amendment to section 19, providing that no bank may pay interest directly or indirectly on demand deposits.

For the benefit of some Senators who may not have been in the Chamber at that time, I wish now to touch very briefly on a matter which was discussed earlier in the day. At one time this situation seemed to be developing—I think there is no need for it so developing—into a contest between large and small banks. In no sense is any such contest involved in this matter. As I pointed out, in 20 States of the Union there is no bank which does not pay checks at par. In all the New England States there is not a bank which does not pay checks at par. In the great Southwest, in California, Nevada, Utah, Arizona, New Mexico, and Colorado, and in a number of other States of the Union, including Pennsylvania and New York, every single bank pays its checks at par. I should like to point out that in each of those States there are many small

banks which either are members of the Federal Reserve System or are nonmember banks using the Federal Reserve System collection facilities.

In Maine, New Hampshire, and Vermont there are many very small banks which get along without the exchange charges, which to some seem to be such an important element in the earnings statements of small banks. The point has been made in this debate that if we should take away from some of the small banks which are complaining about the present ruling the privilege of collecting exchange, we would be doing them irreparable injury. I do not believe that we would be doing any injury to a small bank in Alabama or Tennessee, any more than injury would be done to the small bank in New Hampshire or Maine which is getting along very nicely without the exchange charges.

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

Mr. WEEKS. I yield.

Mr. SHIPSTEAD. Am I to understand that the amendment would prohibit the collection of exchange?

Mr. WEEKS. I do not understand that it would prohibit it.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. WEEKS. I yield.

Mr. TAFT. Not only is that statement true, but so far as I can see, the amendment would in no way change the practice in the Northwestern States of South Dakota, Nebraska, North Dakota, and Minnesota. In that section of the country, although there are many banks which do not pay their checks at par, it is not customary for the central bank to avoid the exchange charges. The exchange charges in that section of the country are usually paid by the depositors themselves, and not by the central banks or the banks in the larger cities. When I asked the witness from Nebraska why he objected to the bill of the Senator from South Carolina, which would not change the status of his own bank, he said, "It is part of a movement which may lead to statutes in South Dakota, North Dakota, or Minnesota prohibiting the payment of exchange charges."

Mr. SHIPSTEAD rose.

Mr. TAFT. I do not know about the situation in Minnesota. As I understand, the custom is about the same in that general section. However, that is the affair of those States. There is nothing in this proposal which would require the State of Minnesota, the State of North Dakota, the State of South Dakota, or the State of Nebraska to enact any such statute; and the small banks in that section of the country may continue to do exactly as they are doing today, so far as the passage of the Maybank bill or amendment is concerned.

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

Mr. WEEKS. I yield.

Mr. SHIPSTEAD. The situation to which the Senator has referred applies to my State. The Maybank bill would not interfere with the collection of exchange at all. If the people of Minnesota wish to stop the collection of exchange, they have a right to do so under



State law. As a matter of fact, I believe that nearly all the small banks in Minnesota are against this bill.

Mr. WEEKS. Mr. President, I brought out that point because the proponents of the pending amendment have tried to impress upon the Senate that some small banks will be vitally injured if the amendment is not adopted. I submit that no one will be injured.

I submit that the small banks in the Southeast, where most of the nonpar clearance banks are located—

Mr. BUSHFIELD. Mr. President, will the Senator yield?

Mr. WEEKS. I yield.

Mr. BUSHFIELD. I merely wish to call the Senator's attention again to the testimony of Mr. Crowley, head of the Federal Deposit Insurance Corporation. He sums up his opinion of what this ruling by the Federal Reserve Board will do, as follows:

I think the net result of the Federal Reserve Board's ruling is this: First, it forces par clearance. Secondly, it very definitely affects the earnings of a lot of small banks. The next step, in my judgment, is that you break your little banker. You eliminate him from your banking picture, and the advocates of branch banking immediately will come along and say, "Now, this little community is in need of a bank. It cannot support an independent bank, so we have to have a branch bank to serve that community."

Mr. WEEKS. Mr. President, I do not agree with that statement in any degree.

Mr. McKELLAR rose.

Mr. WEEKS. I yield to the Senator from Tennessee.

Mr. McKELLAR. I merely wish to call the Senator's attention to the fact that all the banks of my State, large and small, take the same position as the one taken by Mr. Crowley. They think the action of the Federal Reserve Board will injure the small banks, and they do not want that to happen. That is all there is to the matter.

However we may try to disguise it, this is a contest between a large centralized banking system, which would like to do all the banking business, and the smaller independent banks of the country. I, for one, believe our banking system has worked splendidly, especially during the past few years, and that we should not change it. I take the further position that if it is to be changed, it should be changed by the Congress of the United States. It should not be legislated on by the Federal Reserve Board.

Mr. WEEKS. Mr. President, I do not consider that this is a contest between a large centralized banking system and the smaller independent banks in any degree. I submit that a small bank in Tennessee can get along without the exchange charges if a small bank in New Hampshire, a small bank in Nevada, or a small bank in Pennsylvania can get along without them.

Mr. REVERCOMB. Mr. President, will the Senator yield at that point?

Mr. WEEKS. I yield.

Mr. REVERCOMB. In reply to the statement made by the able senior Senator from Tennessee [Mr. McKELLAR] to the effect that this is an attempt on the

part of a Government agency to legislate, I wish to point out the views of the author of the Federal Reserve Act, namely, that what is attempted to be done here against the amendment is in fact the intent of the law. The ruling of the Federal Reserve on this subject is based on the statute. I shall read from page 10 of the views of the minority of the Committee on Banking and Currency of the House of Representatives on House bill 3956. On page 10 of the minority report there is printed a statement made by the senior Senator from Virginia [Mr. GLASS], the author of the Federal Reserve Act. It reads as follows:

My attention has been called to S. 1642, introduced by Mr. MAYBANK, and a companion bill in the House, H. R. 3956. This proposed legislation, in my judgment, would entirely emasculate the statute prohibiting the payment of interest by banks on demand deposits, which, you will remember, I fought for and obtained in the Banking Act of 1933. Senator MAYBANK's bill would authorize member banks to pay interest by absorbing exchange charges made by a comparatively small group of banks which do not pay their checks at par. Member banks of the Federal Reserve System cannot even make these charges nor do the nonmember banks who participate in the par clearance system.

The bill is rankly discriminatory and lacking in frankness. Its enactment could have vicious and far-reaching effects upon the Federal Reserve System, both in the number of member banks and in the perpetuation of a par clearance system which has saved the Nation's industry, commerce, and agriculture millions upon millions of dollars. I am unalterably opposed to the bill.

The bill referred to is the measure now offered as an amendment by the able senior Senator from South Carolina [Mr. MAYBANK].

Mr. President, my purpose in reading the statement made by the Senator from Virginia is to answer the argument that the position now expressed by the Senator from Massachusetts [Mr. WEEKS] is against the intent of the statute. The author of the statute says that it is in fact the intent of the statute, and has been since the statute was enacted, and that the result sought to be achieved by the amendment is against the statute.

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. WEEKS. I yield.

Mr. MAYBANK. I should like to ask the Senator, if that be a fact, in accordance with the letter he read, why the Federal Reserve Board waited 10 years after 1933. Why did it make the regulation only this past fall?

Mr. REVERCOMB. Of course, that is a question which should be asked of the Federal Reserve System. If it has omitted to act as it should have acted under the act, that is no reason why the act should not now be carried out to its full intent.

Mr. MAYBANK. In other words, the Senator believes that if the Congress confers certain power upon an agency, the agency can wait 9 or 10 years before it makes its decision. That is the substance of the argument which has been made.

Mr. REVERCOMB. No; I do not support or defend any such action on the part of any agency of Government. But

the fact that an agency may not have made correct rulings in the past is no justification for an attempt on the part of the Senator from South Carolina to prevent the act from now being carried out as it was intended to be done from the beginning.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. WEEKS. I yield.

Mr. WHEELER. I simply wish to say that in my State almost all the banks are small banks, and all the small banks in my State, so far as I know, with the possible exception of one or two, are opposed to the amendment which has been offered. Whether they are right or wrong in the position they take, I am frank to say I do not know.

But I feel that the amendment has no place in the pending bill. The representatives of some of the banks in my State are in Washington to testify before the Committee on Banking and Currency with reference to the measure. I certainly think it should not be attached as an amendment to the pending bill at this time, at the very time when hearings are being held on it by the Committee on Banking and Currency. I venture to say that a great many other Senators find themselves in the position in which I find myself. I should like to read the hearings held by the Committee on Banking and Currency before I vote on the Maybank amendment or bill. I think I must read them before I shall be able to vote intelligently. I certainly will not vote for it until I have an opportunity to read the hearings and until I can learn more about it than I can at a time when the proposal is brought before the Senate before the committee hearings have been completed.

Mr. ROBERTSON. Mr. President, will the Senator yield?

Mr. WEEKS. I yield to the Senator from Wyoming.

Mr. ROBERTSON. I should like to state the position of the bankers in my State of Wyoming in reference to the pending amendment. Their position is very similar to that already stated by the distinguished senior Senator from Montana [Mr. WHEELER] in regard to the bankers of the State of Montana.

I should like to read into the RECORD two telegrams which I have received from Mr. C. B. Bloomfield, secretary of the Wyoming Bankers' Association. One of the telegrams is dated December 7, 1944, and reads as follows:

CHEYENNE, WYO., December 7, 1944.

E. V. ROBERTSON:

Understand that hearing is called for Maybank bill, S. 1642. Our association again advises you of our opposition to legislation that will disrupt the par clearance of checks. Wyoming together with other western States clear at par. If hearing is continued long enough our association may want to be heard.

C. B. BLOOMFIELD,

Secretary, Wyoming Bankers Association.

The other telegram is dated December 12, 1944, and is as follows:

CHEYENNE, WYO., December 12, 1944.

E. V. ROBERTSON,

Senate Office Building,

Washington, D. C.:

Have been advised that attempt will be made to attach Maybank exchange bill as an



amendment to H. R. 4911, Federal crop-insurance bill. In fairness to those objecting we believe the bill should have a full hearing and go through regular legislature channels.

C. N. BLOOMFIELD,  
*Secretary, Wyoming Bankers Association.*

Mr. President, I particularly invite attention to the telegrams which I have received, coming, as they do, from the Wyoming Bankers' Association, which represents practically every bank in Wyoming. I believe that I can very safely say that those banks would come within the category of small, indeed very small, banks.

Mr. WEEKS. Mr. President, I wish to proceed and complete the statement which I started to make. I do not wish to yield the floor again until I shall have finished what I have to say.

Now to sum up what I have already attempted to point out to Senators when I say that no contest is involved here between large banks and small banks. If small banks in some sections of the country are disturbed about the possible effect of a continuation of the ruling of the Federal Reserve Board in respect to them, I assert that they are in no greater danger, insofar as their earnings are concerned, than are the small banks in 20 to 25 States in which either 100 percent, or practically 100 percent, of the banks clear checks at par.

In the next place, I invite attention to the fact that in my judgment this amendment would turn back the pages of history approximately 30 years and reverse the great forward step which was taken in this country when the Federal Reserve Act was first adopted, which forward step was to enable businessmen to transact business all over the country without having exchange charges involved in the transactions.

The Federal Reserve Act since its original passage, has several times been amended, and the amendments have all been in the same direction and for the same purpose—namely, to make it possible for a man in Oregon to sell merchandise to a man in Connecticut, receive a check, and have the check cleared at par, thus receiving 100 cents on the dollar. I assert that it would be bad legislation and extremely bad policy to turn back and interrupt the progress which has been made. I submit that the amendment should not be adopted.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from South Carolina [Mr. MAYBANK].

Mr. TAFT. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

|           |            |          |
|-----------|------------|----------|
| Aiken     | Byrd       | Ellender |
| Austin    | Capper     | Ferguson |
| Bailey    | Caraway    | George   |
| Ball      | Chandler   | Gerry    |
| Bankhead  | Chavez     | Gillette |
| Bilbo     | Clark, Mo. | Green    |
| Brewster  | Connally   | Guffey   |
| Brooks    | Cordon     | Gurney   |
| Buck      | Danaher    | Hall     |
| Burton    | Davis      | Hatch    |
| Bushfield | Downey     | Hawkes   |
| Butler    | Eastland   | Hayden   |

|                 |           |
|-----------------|-----------|
| Hill            | Mead      |
| Holman          | Millikin  |
| Jenner          | Murray    |
| Johnson, Calif. | Nye       |
| Johnson, Colo.  | O'Daniel  |
| Kilgore         | O'Mahoney |
| La Follette     | Pepper    |
| Langer          | Radcliffe |
| Lucas           | Reed      |
| McCarran        | Revercomb |
| McClellan       | Reynolds  |
| McFarland       | Robertson |
| McKellar        | Russell   |
| Maloney         | Shipstead |
| Maybank         | Smith     |

|               |
|---------------|
| Taft          |
| Thomas, Idaho |
| Thomas, Okla. |
| Truman        |
| Tunnell       |
| Vandenberg    |
| Walsh         |
| Weeks         |
| Wheeler       |
| White         |
| Wiley         |
| Willis        |
| Wilson        |

The PRESIDING OFFICER. Eighty Senators having answered to their names, a quorum is present.

The question is on agreeing to the amendment offered by the Senator from South Carolina [Mr. MAYBANK].

Mr. TAFT. Mr. President, as I stated earlier in the day, I should like to speak briefly on the amendment, but I am not quite prepared to speak this evening. I understood there were some Senators on the other side who desired to speak. I thought perhaps we might agree, as suggested earlier, to vote at some hour tomorrow, perhaps at not later than 2 o'clock.

Mr. THOMAS of Oklahoma. Mr. President, if a vote is postponed, this is what will happen: A message will go out from this city to the different groups of banks urging them to telegraph their Senators, and tomorrow Senators will be the recipients of numerous messages from their States, from the so-called large banks and the so-called small banks. If any Senator thinks that will be helpful, I should have no objection to a postponement, but that is exactly what will happen if the vote is not had tonight.

Mr. WHITE. Will the Senator yield?

Mr. THOMAS of Oklahoma. I yield.

Mr. WHITE. In view of our rather long experience in politics and political life, does the Senator think such telegrams will have very much influence on any of us?

Mr. THOMAS of Oklahoma. I do not think so, and for that reason I do not see the benefit or advantage of postponing the vote.

Mr. WHITE. It gives an opportunity for preparation to some who are not immediately prepared to speak, and an opportunity to address the Senate tomorrow, at least briefly.

Mr. THOMAS of Oklahoma. On one occasion I heard a Senator say he did not know which side he was on, but he wanted to make a speech. [Laughter.]

Mr. WHITE. The Senator's remark is not addressed to me, I hope.

Mr. THOMAS of Oklahoma. Not at all.

Mr. BILBO. Mr. President, I trust our leader will agree to a recess at this time, because I wish to speak on the pending bill. I do not think the argument of the Senator from Oklahoma has much weight. I do not care if my bank does telegraph me. My account is current in the bank, and I can do as I please about my vote. I do not think Senators are such weaklings that they will be affected by any telegrams. I desire to speak at length on the amendment, and I should not want to start now, because I could not possibly conclude before 6 or 7 o'clock.

Mr. HILL. Will the Senator yield?

Mr. BILBO. I yield.

Mr. HILL. I wonder if we cannot get an agreement to limit debate, and to vote on the amendment and all amendments thereto tomorrow. Does the Senator from South Carolina, the author of the amendment, have any idea as to how many other Senators would like to speak, and how much time he might need?

Mr. MAYBANK. I think 2 hours would cover the time to be taken in speeches.

Mr. HILL. Does the Senator mean 2 hours for both sides?

Mr. MAYBANK. No; for the proponents.

Mr. HILL. The Senator means 2 hours for the proponents of the amendment alone?

Mr. MAYBANK. The proponents; yes.

Mr. HILL. I wonder if the Senator from Mississippi would not be willing to cut his speech down a little, because 2 hours for the proponents of the amendment would mean that we would have to give 2 hours to the opponents.

Mr. BILBO. I am willing to cut my speech short, if the Senator will agree that the Senate meet at 11 o'clock.

Mr. HILL. So far as I am concerned, I would not object meeting at 11 o'clock, but I understand the Committee on Foreign Relations will meet again tomorrow.

Mr. RUSSELL. The Committee on Appropriations will meet tomorrow morning to mark up the deficiency bill.

Mr. HILL. The Foreign Relations Committee will meet to consider nominations before the committee, and the Committee on Appropriations will meet on the deficiency bill.

Mr. MAYBANK. There will be four speeches.

Mr. HILL. How long will they be?

Mr. MAYBANK. I would roughly estimate, about 2 hours. I am willing to make it an hour and a half.

Mr. HILL. Could the Senator make it 15 minutes for a speech, and let us have a vote at 2 o'clock tomorrow?

Mr. MAYBANK. What about confirmation of the nominations?

Mr. HILL. If we agreed to vote at 2 o'clock, that would mean, of course, that all the time from the time the Senate met until 2 o'clock would be given up to debate on the amendment or amendments thereto.

Mr. MAYBANK. I made the inquiry because I understood the Foreign Relations Committee is to meet tomorrow morning.

Mr. HILL. As I understand, the Committee on Foreign Relations is to meet tomorrow morning, but even if they acted tomorrow morning, we could not take up the nominations before the following day except by unanimous consent.

Mr. MAYBANK. If we vote at 2 o'clock, and take an hour and a half for the proponents, that will leave only half an hour for the opponents. I do not know what the Senator from Ohio [Mr. TAFT] would think about that.

Mr. HILL. Has the Senator from Ohio any idea how long he will take tomorrow?

Mr. TAFT. About 20 minutes, but I believe that the chairman of the committee, the Senator from New York [Mr.



WAGNER], should be present, and should have something to say on the subject, because after all this is in effect a motion to discharge his committee from further consideration of the Maybank bill. One of my reasons for asking for delay in the beginning was the absence of the chairman of the committee, who is in New York. I understand he will be back in the city tomorrow.

Mr. HILL. How long does the Senator from South Carolina think the speeches will take?

Mr. MAYBANK. The Senator from Ohio has brought up another question. If there be any question raised about discharging the committee from consideration of a bill which it has had since January, I am sure there will be much debate.

Mr. HILL. Does the Senator feel he could now agree to some limitation?

Mr. MAYBANK. Yes; I am perfectly willing to agree to a limitation and a vote at 2 o'clock, provided what the Senator from Ohio and the Senator from New York may say in explanation will not take most of the time.

Mr. HILL. The time would be divided between the proponents and opponents, letting the Senator from New York control the time on behalf of the opponents, and the Senator from South Carolina for the proponents.

Mr. BUCK. Mr. President, what are we to do about the hearings?

Mr. MAYBANK. As we conferred in the committee before we left the hearing, I was hoping we might have a vote today, and that would end the matter; but in view of the fact that the matter is to go over until tomorrow, and in view of the fact that we have decided to vote at 2 o'clock, I might say, with the permission of the other members of the committee, that the hearings should not be continued. I have no right to say whether they will be continued or not.

Mr. BUCK. Should not the committee be discharged from the further consideration of the bill before it is taken up by the Senate?

Mr. MAYBANK. I agree, but I have been holding hearings, and very few Senators were present. If it meets the approval of the other members of the committee that we cancel the hearings, and if it is agreeable to the opposition to vote at 2 o'clock tomorrow, it is agreeable to me.

Mr. BUCK. Is it not unusual to proceed with the consideration of the bill when a committee is holding hearings?

Mr. MAYBANK. I understand it is.

Mr. BUCK. Why is it proposed to be done in this instance?

Mr. MAYBANK. Because it is an unusual circumstance to have a bill pass by a vote of 2-to-1 in the House of Representatives in March, introduced by a Senator in January, and wait until Christmas Eve to have hearings. One is as unusual as the other, I agree with the Senator.

Mr. BUCK. When will the chairman of the committee be back in the city?

Mr. MAYBANK. Tomorrow, I understand.

Mr. HILL. Mr. President, I ask unanimous consent that at not later than 2 o'clock tomorrow the Senate vote on the pending amendment and all amendments thereto, and that the time be controlled one-half by the Senator from New York [Mr. WAGNER], the chairman of the Committee on Banking and Currency, who I understand is opposed to the amendment, and one-half by the Senator from South Carolina [Mr. MAYBANK], who is the author of the amendment.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Alabama? The Chair hears none, and the request is agreed to.

#### NATIONAL MEMORIAL STADIUM IN THE DISTRICT

The PRESIDING OFFICER (Mr. McFARLAND in the chair) laid before the Senate the amendments of the House of Representatives to the joint resolution (S. J. Res. 155) establishing a commission to select a site and design for a national memorial stadium to be erected in the District of Columbia, which were, on page 1, line 9, to strike out "and select."

And to amend the title so as to read: "Joint resolution to consider a site and design for a national memorial stadium to be erected in the District of Columbia."

Mr. BILBO. I move that the Senate concur in the amendments of the House.

Mr. WHITE. Mr. President, I wish to ask just what amendments have been made to the bill by the House of Representatives.

Mr. BILBO. The House amendment would strike out two words from the bill. The House objected to the words "and select." If those words are stricken out, the commission will be left with the duty of recommending a site.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Mississippi that the Senate concur in the amendments of the House of Representatives.

The motion was agreed to.

#### EXECUTIVE SESSION

Mr. HILL. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

#### EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER (Mr. McFARLAND in the chair) laid before the Senate messages from the President of the United States, submitting several nominations, which were referred to the appropriate committee.

(For nominations this day received, see the end of Senate proceedings.)

#### EXECUTIVE REPORTS OF COMMITTEES

The following favorable reports of nominations were submitted:

By Mr. BAILEY, from the Committee on Commerce:

To be junior hydrographic and geodetic engineer with rank of lieutenant (junior grade) in the Coast and Geodetic Survey:

William B. Page, from the 10th day of September 1944;

Norman Porter, from the 1st day of October 1944; and

Capt. LeRoy Reinburg, United States Coast Guard, to be a commodore for temporary service to rank from October 1, 1944, while serving as commandant, Coast Guard yard, Curtis Bay, Md., or in any other assignment for which the rank of commodore is authorized. This nomination is made to correct the spelling of this officer's name as previously nominated and confirmed.

By Mr. CHANDLER, from the Committee on Military Affairs:

Robert A. Hurley, of Connecticut, to be a member of the Surplus Property Board; and Lt. Col. Edward Heller, of California, to be a member of the Surplus Property Board.

By Mr. McKELLAR, from the Committee on Post Offices and Post Roads:

Several postmasters.

By Mr. CONNALLY, from the Committee on Foreign Relations:

Norman Armour, of New Jersey, now Acting Director of the Office of American Republic Affairs of the Department of State, to be Ambassador Extraordinary and Plenipotentiary to Spain.

The PRESIDING OFFICER. If there be no further reports of committees, the clerk will state the nominations on the calendar.

#### THE JUDICIARY

The legislative clerk read the nomination of Henry A. Schweinhaut, of Maryland, to be an associate justice of the District Court of the United States for the District of Columbia.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

#### POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. McKELLAR. I ask that the nominations of postmasters be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the postmaster nominations are confirmed en bloc.

That completes the calendar.

Mr. HILL. I ask that the President be notified forthwith of all nominations this day confirmed.

The PRESIDING OFFICER. Without objection, the President will be notified forthwith.

#### RECESS

Mr. HILL. As in legislative session, I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock p. m.) the Senate took a recess until tomorrow, Thursday, December 14, 1944, at 12 o'clock meridian.

#### NOMINATIONS

Executive nominations received by the Senate December 13 (legislative day of November 21), 1944:

#### DIPLOMATIC AND FOREIGN SERVICE

Norman Armour, of New Jersey, now Acting Director of the Office of American Republic Affairs of the Department of State, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Spain.



Laurence A. Steinhardt, of New York, now American Ambassador to Turkey, to be Ambassador Extraordinary and Plenipotentiary of the United States of America near the Government of Czechoslovakia now established in London.

Hallett Johnson, of New Jersey, a Foreign Service officer of class 2, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Costa Rica.

#### CONFIRMATIONS

Executive nominations confirmed by the Senate December 13 (legislative day of November 21), 1944:

#### THE JUDICIARY

ASSOCIATE JUSTICE OF THE DISTRICT COURT OF THE UNITED STATES FOR THE DISTRICT OF COLUMBIA

Henry A. Schweinhaut to be an associate justice of the District Court of the United States for the District of Columbia.

#### POSTMASTERS

##### FLORIDA

Harold H. Bryan, Bowling Green.  
Randilla B. Renfroe, Dover.  
Hollon R. Bervaldi, Key West.

##### IOWA

Aloysius J. Hanrahan, Charlotte.

#### MAINE

Wendall M. Lewis, Boothbay.  
Charles C. Cousins, Brooklin.  
Ethel Pinkham, East Holden.  
Laurence H. Hern, North Windham.  
Paul J. Cody, Poland Spring.  
Ralph L. Harrington, Steep Falls.

#### NEW YORK

Ray L. Leonard, Dexter.  
Anna G. Prendergast, Hall.  
Avis D. Widrig, Richland.

#### WISCONSIN

Arthur G. Anderson, Brodhead.  
Lawrence H. Hardebeck, Lakewood.

Dec.  
14.





DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE  
(Issued December 15, 1944, for actions of Thursday, December 14, 1944)

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SENATE

1. FIRST SUPPLEMENTAL APPROPRIATION BILL, 1945. Appropriations Committee reported with amendments this bill, H. R. 5587 (S. Rept. 1385) (p. 9580).

It is understood that the Committee took the following actions with regard to items relating to Agriculture and WFA:

Farm labor program: An appropriation of \$22,000,000 (minimum of \$7,000,000 and maximum of \$11,000,000 for payments to States), with an administrative-expense limitation of \$605,228, in lieu of the \$10,000,000 contract authorization provided in House Bill. This would provide a 1945 program on a full-year basis at substantially the same level as the 1945 program.

Conservation and use: A direct appropriation of \$13,000,000 in lieu of the House Bill provision which would have required the making of full payments at announced rates from existing funds.

Stoneville cotton laboratory: Budget estimate (\$83,000, including \$45,000 for the building) restored.

Penalty mail: Budget estimates restored for all departments (Sec. 2 and bulk mailings). We understand that Agriculture was the only department to appear at the hearings on this subject.

Spruce budworm (E&PQ): Included \$47,000 (no Budget estimate).

Alaska development: Not restored.

Census of agriculture: Restored \$5,000,000 (Budget estimate was \$5,500,000).

Consumer income, expenditures, and savings studies: Not restored.

Provision regarding long-distance phone calls and telegrams (see end of Digest)

2. CROP INSURANCE. Passed with amendments H. R. 4911, the crop-insurance bill (pp. 9516-53) (For provisions see Digests 168 and 175.)

Rejected, 25-45, Sen. Maybank's (S.C.) amendment to amend the Federal Reserve Act so as to make it clear that there is no prohibition on the absorption of exchange and collection charges by member banks (pp. 9516-53).

Sens. Thomas of Okla., Wheeler, Bankhead, Ellender, Russell, Capper, Shipstead, and Aiken were appointed conferees (pp. 9553-4). House conferees have not yet been appointed.

3. PERSONNEL. Passed with amendments H. R. 4918, providing for lump sum payments to Federal employees for accrued annual leave due upon their separation from service (pp. 9568-9).



Discussed and on objection by Sen. Reed, Kans., passed over S. 2201, to provide health programs for Government employees (pp. 9569-70).

Passed without amendment H. R. 4159, to authorize the Employees' Compensation Commission to make studies and investigations with respect to safety provisions and the causes of injuries in employments under that Act (p. 9572). This bill will now be sent to the President.

4. EDUCATION. Both Houses received the 1st Quarterly Report of the Commissioner of Education on the education and training of defense workers, July 1 to Sept. 30, 1944. To Senate Appropriations Committee and House Expenditures in the Executive Departments Committee. (p. 9516, 9621.)
5. MINERALS. Mines and Mining Committee reported without amendment H. R. 4852, to insure the preservation of technical and economic records of domestic sources of ores of metals and minerals (S. Rept. 1383) (p. 9516).
6. TRANSPORTATION; LAND GRANTS. On objection of several Senators passed over H.R. 4184, to repeal land-grant rates on military and naval traffic and to make provision for additional irrigation and for settlement of veterans on farms. (p. 9563). (For provisions see Digest 165.)
7. RURAL ELECTRIFICATION. On objection of Sen. Taft, Ohio, to Sen. McKellar's (Tenn.) request for unanimous consent to consider H. R. 5566, to authorize REA to make loans to cooperative associations to repay or refinance loans from TVA, the bill was passed over (p. 9571).
8. DISBURSEMENTS. Passed without amendment H. R. 5062, authorizing disbursing officers, during the war emergency and for official purposes or to accommodate civilian Government personnel, to cash and negotiate checks and other instruments payable in U. S. and foreign currencies, and to conduct exchange transactions involving U. S. and foreign money, checks, etc. (p. 9572). This bill will now be sent to the President.
9. TRADE MARKS. After agreeing to part of the committee amendments to H. R. 82, to provide for the registration and protection of trade-marks used in commerce, this bill was passed over on objection by Sen. O'Mahoney, Wyo. (pp. 9570-1).
10. LANDS; FOOD PRODUCTION; CONTINUATION OF COMMITTEES. During a discussion on procedure as to the continuation of standing and special committee activities after the first of the year, Sen. Wherry, Nebr., spoke favoring S. Res. 309, to investigate conditions prevailing in the production, processing, distribution, and marketing of agricultural commodities, and stated, "We shall be carried past the time when anything effective could be done in connection with the production of hogs or the production of eggs" (p. 9557) and Sen. McCarran, Nev. discussed the work of the Public Lands Subcommittee and the proposed Salt Lake City hearing in connection with "the withdrawal of some 3,000,000 of land, and stated that "every stock raiser in the 11 Western States is interested in these hearings" (p. 9555).
11. PUBLIC LANDS. Passed without amendment H. R. 5551, transferring certain land in Nacogdoches County, Tex., from FSA to FS (pp. 9576-7). This bill will now be sent to the President.  
Passed without amendment H. R. 5563, to authorize FSA to transfer certain lands in the Angostura irrigation project for certain lands owned by Hot Spring S. Dak. (p. 9577). This bill will now be sent to the President.





United States  
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# Congressional Record

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No. 176

## Senate

(Legislative day of Tuesday, November 21, 1944)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

Our Father God, in bewilderment and deep need we come, bitterly conscious that what the world prepares to celebrate with merriment and light is so largely as yet a memory and a hope. We confess that this birthday of the Child finds more children orphaned and homeless than ever since the Christ Child was born; that this oratorio of songs finds more sobs than in all the long years since the angels' chorus; that this festival of the home finds more homes broken and in blackened ruins than ever since the rude inn became the dwelling place of the Divine. Our hearts cry, "O Lord, how long, how long!" And yet we thank Thee for the faith which glorifies all children and songs and homes, and which, battling with a sword bathed in heaven, refuses to cry peace, peace, when there is no peace.

With desires no words can utter, we pray as we bow at a manger, for our valiant sons scattered over all the earth, for our Nation's leaders that they may contribute worthily to mankind's abiding peace; and that out of today's agony there may emerge as gold refined by fire an ordered society of nations that shall give substance and hope to Bethlehem's starry dream. In the dear Redeemer's name. Amen.

### THE JOURNAL

On request of Mr. HILL, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Wednesday, December 13, 1944, was dispensed with, and the Journal was approved.

### MESSAGES FROM THE PRESIDENT— APPROVAL OF BILLS

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries, and he announced that on December 13, 1944, the President had approved and signed the following acts:

S. 218. An act to authorize relief of disbursing officers of the Army on account of loss or deficiency of Government funds, vouchers, records, or papers in their charge;

S. 267. An act relating to marriage and divorce among members of the Klamath and Modoc Tribes and Yahooskin Band of Snake Indians;

S. 556. An act for the relief of Pedro Jose Arrecoechea;

S. 616. An act for the relief of Mrs. Mary Vullio;

S. 1274. An act for the relief of Vodie Jackson;

S. 1462. An act for the relief of Solomon and Marie Theriault;

S. 1557. An act for the relief of Joel A. Hart;

S. 1590. An act for the relief of the State of Tennessee;

S. 1645. An act relating to the administration of the Glacier National Park fish hatchery, at Creston, Mont., and for other purposes;

S. 1710. An act to authorize the sale and conveyance of certain property of the estate of Jackson Barnett, deceased Creek Indian;

S. 1732. An act for the relief of Arthur M. Sellers;

S. 1756. An act for the relief of William Luther Thaxton, Jr., and William Luther Thaxton, Sr.;

S. 1853. An act for the relief of Dr. Frank K. Boland, Sr.;

S. 1869. An act for the relief of Mrs. Mamie Dutch Vaughn;

S. 1877. An act to transfer Georgetown County, S. C., from the Florence division to the Charleston division of the eastern judicial district of South Carolina;

S. 1897. An act for the relief of Mrs. Sophia Tannenbaum;

S. 1942. An act for the relief of Dr. E. S. Axtell;

S. 1958. An act for the relief of fire district No. 1 of the town of Colchester, Vt.;

S. 1960. An act for the relief of Clifford E. Long and Laura C. Long;

S. 1968. An act for the relief of Elizabeth A. Becker;

S. 1987. An act for the relief of Gordon Lewis Coppage;

S. 1993. An act for the relief of the estates of Joseph B. Gowen and Ruth V. Gowen;

S. 2006. An act for the relief of J. A. Davis;

S. 2008. An act for the relief of Herman Philypaw;

S. 2042. An act for the relief of the legal guardian of Nancy Frassrand, a minor;

S. 2064. An act for the relief of Richard A. Beall; and

S. 2168. An act for the relief of certain disbursing officers of the Army of the United States, and for other purposes.

### MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. McLeod, one of its clerks, announced that the House had passed a bill (H. R. 3690) to safeguard the admission of evidence in certain cases, in which it requested the concurrence of the Senate.

### ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

H. R. 2874. An act for the relief of Robert Will Starks; and

H. R. 3791. An act for the relief of the estate of Charles Noah Shipp, deceased.

### CALL OF THE ROLL

Mr. HILL. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

|            |                 |               |
|------------|-----------------|---------------|
| Aiken      | Green           | Pepper        |
| Austin     | Guffey          | Radcliffe     |
| Bailey     | Gurney          | Reed          |
| Bankhead   | Hall            | Revercomb     |
| Bilbo      | Hatch           | Reynolds      |
| Brewster   | Hawkes          | Robertson     |
| Brooks     | Hayden          | Russell       |
| Buck       | Hill            | Shipstead     |
| Burton     | Holman          | Smith         |
| Bushfield  | Jenner          | Stewart       |
| Butler     | Johnson, Calif. | Taft          |
| Byrd       | Johnson, Colo.  | Thomas, Idaho |
| Capper     | La Follette     | Thomas, Okla. |
| Caraway    | Langer          | Thomas, Utah  |
| Chandler   | Lucas           | Truman        |
| Chavez     | McCarran        | Tunnell       |
| Clark, Mo. | McClellan       | Tydings       |
| Connally   | McFarland       | Vandenberg    |
| Cordon     | McKellar        | Walsh         |
| Danaher    | Maloney         | Weeks         |
| Davis      | Maybank         | Wheeler       |
| Downey     | Mead            | Wherry        |
| Ellender   | Millikin        | White         |
| Ferguson   | Murray          | Wiley         |
| George     | Nye             | Willis        |
| Gerry      | O'Daniel        | Wilson        |
| Gillette   | O'Mahoney       |               |

Mr. HILL. I announce that the Senator from Kentucky [Mr. BARKLEY] and the Senator from Virginia [Mr. GLASS]



are absent from the Senate because of illness.

The Senator from Utah [Mr. MURDOCK] is absent on official business for the Senate.

The Senator from Florida [Mr. ANDREWS], the Senator from Idaho [Mr. CLARK], the Senator from Mississippi [Mr. EASTLAND], the Senator from West Virginia [Mr. KILGORE], the Senator from Louisiana [Mr. OVERTON], the Senator from Nevada [Mr. SCRUGHAM], the Senator from New York [Mr. WAGNER], and the Senator from Washington [Mr. WALLGREN] are necessarily absent.

Mr. WHERRY. The following Senators are necessarily absent:

The Senator from Minnesota [Mr. BALL], the Senator from New Hampshire [Mr. BRIDGES], the Senator from Oklahoma [Mr. MOORE], and the Senator from New Hampshire [Mr. TOBEY].

The VICE PRESIDENT. Eighty Senators have answered to their names. A quorum is present.

#### EXECUTIVE COMMUNICATIONS, ETC.

The VICE PRESIDENT laid before the Senate the following letters, which were referred as indicated:

#### EDUCATION AND TRAINING OF DEFENSE WORKERS

A letter from the Administrator of the Federal Security Agency, transmitting, pursuant to law, the first quarterly report of the United States Commissioner of Education on the education and training of defense workers, covering the period July 1, 1944-September 30, 1944 (with an accompanying report); to the Committee on Appropriations.

#### PERSONNEL REQUIREMENTS

Letters from the Office of Administrator of the Federal Works Agency, the Office of Civilian Defense, the Archivist of the United States, and the executive secretary of the Office of Scientific Research and Development, transmitting, pursuant to law, estimates of personnel requirements for their respective offices for the quarter ending March 31, 1945 (with accompanying papers); to the Committee on Civil Service.

#### REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. BAILEY, from the Committee on Commerce:

H. R. 5092. A bill granting the consent of Congress to the State of Tennessee Department of Highways and Public Works to construct, maintain, and operate a free highway bridge across the Clinch River at the point where such river is crossed by United States Highway No. 25E; without amendment (Rept. No. 1331); and

H. R. 5206. A bill to authorize Belfry Coal Co. to construct, maintain, and operate a free suspension bridge conveyor across the Tug Fork of the Big Sandy River at or near Sprigg, W. Va.; without amendment (Rept. No. 1332).

By Mr. GUFFEY, from the Committee on Mines and Mining:

H. R. 4352. A bill to insure the preservation of technical and economic records of domestic sources of ores of metals and minerals; without amendment (Rept. No. 1333).

#### REPORTS ON DISPOSITION OF EXECUTIVE PAPERS

Mr. BREWSTER (for Mr. BARKLEY), from the Joint Select Committee on the Disposition of Executive Papers, to which were referred for examination and rec-

ommendation two lists of records transmitted to the Senate by the Archivist of the United States that appeared to have no permanent value or historical interest, submitted reports thereon pursuant to law.

#### ENROLLED BILLS PRESENTED

Mrs. CARAWAY, from the Committee on Enrolled Bills, reported that on December 13, 1944, that committee presented to the President of the United States the following enrolled bills:

S. 209. An act authorizing the conveyance of certain property to the State of North Dakota;

S. 1571. An act to provide that the transmountain tunnel constructed in connection with the Colorado-Big Thompson project shall be known as the Alva B. Adams tunnel;

S. 1530. An act to authorize the Secretary of the Interior to dispose of certain lands heretofore acquired for the nonreservation Indian boarding school known as Sherman Institute, California;

S. 1597. An act to amend section 1, act of June 29, 1940 (54 Stat. 703), for the acquisition of Indian lands for the Grand Coulee Dam and Reservoir, and for other purposes;

S. 1638. An act to authorize the Secretary of Agriculture to compromise, adjust, or cancel certain indebtedness, and for other purposes;

S. 1801. An act to authorize the Secretary of the Navy to convey to the Virginian Railway Co., a corporation, for railroad-yard-enlargement purposes, a parcel of land of the Camp Allen Reservation at Norfolk, Va.;

S. 1898. An act to amend section 99 of the Judicial Code, as amended, so as to change the term of the district court, for the District of North Dakota at Minot, N. Dak.;

S. 1979. An act to regulate in the District of Columbia the transfer of shares of stock in corporations and to make uniform the law with reference thereto;

S. 2019. An act to establish the grade of Fleet Admiral of the United States Navy; to establish the grade of General of the Army, and for other purposes;

S. 2105. An act to amend and supplement the Federal-Aid Road Act, approved July 11, 1916, as amended and supplemented, to authorize appropriations for the post-war construction of highways and bridges, to eliminate hazards at railroad grade crossings, to provide for the immediate preparation of plans, and for other purposes; and

S. 2205. An act to authorize the dissolution of the Women's Christian Association of the District of Columbia and the transfer of its assets.

#### JOINT RESOLUTION INTRODUCED

Mr. CLARK of Missouri, by unanimous consent, introduced a joint resolution (S. J. Res. 164) to extend for 90 days the time for filing a report by the Civil Aeronautics Board relating to multiple taxation of air commerce, which was read twice by its title and referred to the Committee on Commerce.

#### HOUSE BILL REFERRED

The bill (H. R. 3690) to safeguard the admission of evidence in certain cases was read twice by its title and referred to the Committee on the Judiciary.

#### CONTINUATION OF WAR CONTRACTS SUBCOMMITTEE OF COMMITTEE ON MILITARY AFFAIRS

Mr. MURRAY submitted the following resolution (S. Res. 354), which was re-

ferred to the Committee on Military Affairs:

*Resolved*, That the authority conferred by Senate Resolution 193, Seventy-eighth Congress, agreed to February 8, 1944, and Senate Resolution 288, Seventy-eighth Congress, agreed to May 25, 1944 (authorizing the War Contracts Subcommittee of the Committee on Military Affairs to investigate war contracts, termination of war contracts, and related problems), is hereby continued through March 31, 1945.

#### INTERNATIONAL CIVIL AVIATION CONFERENCE

[Mr. BAILEY asked and obtained leave to have printed in the RECORD certain documents from the International Civil Aviation Conference, which will appear hereafter in the Appendix.]

#### STATE DEPARTMENT NOMINATIONS—EDITORIAL FROM THE PHILADELPHIA RECORD

[Mr. GUFFEY asked and obtained leave to have printed in the RECORD an editorial entitled "Red-Blooded War for Blue-Blooded Peace?" published in the Philadelphia Record of December 14, 1944, dealing with the appointments to the State Department, which appears in the Appendix.]

#### THE LAND ODOGRAPH—ARTICLE BY ARTHUR SYLVESTER

[Mr. HAWKES asked and obtained leave to have printed in the RECORD an article on the subject of the land odograph, written by Mr. Arthur Sylvester, chief of the Washington bureau of the Newark (N. J.) Evening News and published in the August 30, 1944, edition of the Newark Evening News, which appears in the Appendix.]

#### CROP INSURANCE

The Senate resumed the consideration of the bill (H. R. 4911) to amend the Federal Crop Insurance Act.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the senior Senator from South Carolina [Mr. MAYBANK], which will be stated.

The LEGISLATIVE CLERK. It is proposed to insert at the proper place in the bill the following:

SEC. —. The first sentence of the twelfth paragraph of section 19 of the Federal Reserve Act, as amended (relating to the payment of interest by member banks on demand deposits), is amended by inserting before the period at the end thereof a colon and the following: "Provided further, That this paragraph shall not be deemed to prohibit the absorption of exchange or collection charges by member banks."

The VICE PRESIDENT. The clerk will also state the unanimous-consent agreement entered into yesterday.

The legislative clerk read as follows:

*Ordered*, by unanimous consent, That on Thursday, December 14, 1944, at not later than 2 o'clock p. m., the Senate shall proceed to vote upon the pending amendment and all amendments thereto. The time to be equally divided and controlled by the Senator from South Carolina [Mr. MAYBANK] for the proponents, and the Senator from New York [Mr. WAGNER] for the opponents.

Mr. TAFT. Mr. President, the proposed amendment, the so-called Brown-Maybank bill, has been pending before the Committee on Banking and Currency, and that committee is now in the midst of hearings. The hearings proceeded this morning. I myself was



waiting until I could get opportunity to examine the members of the Federal Reserve Board and the Federal Deposit Insurance Corporation before finally making up my mind.

In view of the fact that the Senate is proceeding with the bill as an amendment to the pending crop-insurance bill, I asked Mr. Eccles to submit any statement he might care to make. He had already prepared the statement which he was scheduled to make before the committee on Friday morning, and he furnished me a copy of the statement, which I ask to have printed in the body of the RECORD as part of my remarks.

The VICE PRESIDENT. Is there objection?

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

Mr. Chairman, shortly after Mr. MAYBANK introduced his bill, the Board, in response to the committee's request, made a formal report. If it is agreeable to the committee, I suggest that the Board's general attorney, Mr. Dreihelbis, read the Board's report later on. He will undertake to answer such questions as the members of the committee may wish to ask concerning the contents of the report or any of the details involved.

I would like also to suggest that all of the correspondence on the subject in the committee's files, pro and con, be included in the record. In the House it was argued, you know, that no one was opposed to the bill except the Board. This is really the first time opponents, other than the Board, have had an opportunity to be heard. For reasons beyond anyone's control and which everyone understands, it has been possible for only a few members of the committee to hear the testimony which has been offered. I hope that members of the committee will have time to see what the many bankers associations, trade associations, bankers, and businessmen have to say about the pending proposal. It is for these reasons that the suggestion is made.

I shall try to confine my statement to the broader implications of the proposed legislation and to certain matters which seem pertinent in the light of developments since the Board's report.

First, I understand that the question has been asked why, if this law has been in the books since 1933, was it not enforced until September 1943? I understand also that it has been said, with all the innuendos which such a statement implies, that the Board's action was taken only after the sudden death of Representative Steagall in the latter part of November 1943.

Let me say that there never has been a time since I have been on the Board when all of the Board have not believed that the absorption of exchange by a member bank under the circumstances outlined in its published ruling of September 1943 was a violation of the statute Congress enacted. In December 1935, the Board proposed to incorporate in its regulation Q language which, in so many words, would so provide. The F. D. I. C. refused to go along in its corresponding regulation applicable to nonmember insured banks, so the Board postponed the effective date of its proposed amendment. The Board did so because it seemed extremely unfortunate that member banks should operate under one rule and nonmember banks under another. It hoped to be able to find some basis for agreement between the two viewpoints and to avoid the very situation which now exists.

In December of 1936 the Board again proposed an amendment to its regulation Q along the lines of the 1935 proposal. It was at that time that Chairman Steagall of the House Banking and Currency Committee and the chairman of this committee asked the

Board again to defer the effective date of the proposed amendment. Some Members of Congress indicated that they had in mind proposing an amendment to the statute. The Board acceded to the request for a deferment, but it did not recede from its position. Let me read the Board's press statement of January 30, 1937, announcing its action:

"Chairman Steagall of the House Banking and Currency Committee and Chairman WAGNER of the Senate Banking and Currency Committee have requested the Board of Governors of the Federal Reserve System to postpone the effective date of the definition of interest in subsection (f) of section (1) of the Board's regulation Q, which the Board on December 21, 1936, announced would become effective February 1, 1937.

"The Board, after careful consideration, had reached the conclusion that the law and the existence of certain banking practices required the adoption of this definition. But the Board feels that the request which these two chairmen have now made should be granted, in view of the fact that the Board has been informed that a number of Members of Congress are giving consideration to the question of the advisability of amending the law under which the Board's regulation was issued, and desire additional time for that purpose.

"The Board therefore has postponed from February 1 to May 1, 1937, the effective date of subsection (f) of section (1) of regulation Q which contains the definition of interest."

Before May 1, 1937, the Board conceived the idea and suggested to Mr. Crowley that the lawyers of the two agencies get together and write a definition of interest which would merely restate what the courts have said in defining the term. This was done and on February 12, 1937, the applicable regulation of the F. D. I. C. and the Board's regulation Q were amended to provide that, for the purposes of both regulations, "interest" should mean "any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit." The regulations of both agencies thereupon became uniform in this respect. At the same time the Board and the F. D. I. C. issued a joint statement for the press in which it was pointed out that the effect of the amendments was to declare existing law rather than to interpret and apply the law to particular practices. It was stated that this would permit the general application by each agency of a uniform law and a determination, based upon the facts involved, in specific cases.

Never, since the enactment of the law, has the issue of exchange absorption been dead. But it became much more acute with the advent of the defense program which brought with it a huge Government financing program and an opportunity for investment in Government obligations on a scale no one had ever before thought of. The preceding period had been one in which money relatively was a drug on the market. Some banks, because of the assessment for deposit insurance and the lack of investment opportunity, were even trying to decrease their deposits. The Board had hoped the problem of exchange absorption would solve itself but it became increasingly evident that the practice was increasing.

In July 1942 the Comptroller of the Currency addressed a letter to the Board submitting the facts of a practice being followed by a certain national bank and requested a ruling as to the applicability of the law to the facts of that case. The Board delayed an expression of its views pending several examinations of the bank which cumulatively developed that the bank was actually absorbing exchange for the purpose of compensating certain of its depositors for the use of their funds. Moreover, in October 1942, before expressing its views, the Board suggested to the Comptroller of the Currency that rep-

resentatives of the three agencies meet and consider the matter. Such meetings were held on November 11, 1942, and January 29, 1943. On August 6, 1944, well in advance of the issuance of the ruling, the Board wrote Chairman Steagall of the House Banking and Currency Committee and Chairman WAGNER of the Senate Banking and Currency Committee sending them a copy of the proposed ruling in order that they might have an opportunity to object or comment if they desired to do so. Mind you, this was almost 3 months before Mr. Steagall's sudden death and obviously before the Board could have forecast that untimely event. At the same time a copy of the proposed ruling was also sent to Chairman Crowley of the F. D. I. C. Receiving no objections or comments from either chairman, the ruling was transmitted to the Comptroller of the Currency on August 23, 1943, and was subsequently published in the September issue of the Federal Reserve Bulletin. I have before me copies of all the correspondence to which I have referred and which I would like to have inserted in the RECORD.

There is another matter which has come to my attention upon which I would like to comment. Because my convictions with respect to how the banking system could be made to function more effectively have been publicly stated, the Board has been charged with having ruled as it did in September 1943 for reasons outside and beyond its statutory responsibility under section 19 of the Federal Reserve Act. One such charge has been built around creating the false notion that the Federal Reserve System is a "big bank system" catering to the large banks, trying in its September ruling to abolish the dual banking system and to make it easy for the extension of branch banking by striking at the existence of small banks.

Absurd charges, such as these, illustrate the length to which the proponents have gone. They talk as though the Federal Reserve Act was not patterned to the dual banking system. The Board has consistently recommended changes in the law designed to make it possible for more State banks to become members. There are at this time over 1,700 member State banks and the Board and every Federal Reserve bank wishes there were more. Strangely enough, some of the very same critics, who now say the Board is out to destroy the State banks, have, on other occasions, been equally critical of the System's activities in inviting State banks to become members.

On the matter of the System's interest in the smaller banks, I point to the fact that of a total membership of approximately 6,700 banks, over 5,000 had deposits, as of December 1943, of less than \$5,000,000 each. Over 3,200 of these had deposits of less than \$2,000,000 each. Compare this with the non-par banks. Attached to this statement are some very interesting statistics comparing par and nonpar banks as to location, number, and size. It is apparent that if this bill is enacted, it will be to favor a very small minority of banks holding a still smaller proportion of the country's deposits against the overwhelming majority of banks holding a still greater proportion of deposits. Even the maps and statistics do not present the picture in its entirety. As has been pointed out to the members of the committee, the practice of exchange absorption is not as extensive as the practice of charging exchange. Only in the Southeastern States does it appear that the practice of absorbing exchange is extensively followed. Thus the passage of this bill would indeed be a case in which not only would the tail be wagging the dog but the flea would be pushing the elephant around.

The System is composed of small banks and its interest in their welfare has been evidenced by more than giving lip service to the idea. Opening up the credit facilities



of the System to permit loans to nonmember banks on the security of Government obligations was in aid of small banks, not large ones nor, I add, member banks. The System's support of Treasury efforts to make Government securities more readily available to banks by simplifying the bidding, making automatic allotments, and giving certain preferential terms has been in aid of the small banks, not the large ones. The Board's consistent opposition to the extension of the business of savings and loan associations into the commercial banking field has been in behalf of small banks, not the large ones. Its position, alone of all the Federal banking agencies, in the matter of the extension of P. C. A. loans, was in behalf of small banks, not large ones. These are a few recent illustrations.

My final comments are concerned with the discriminatory character of the proposed bill as applied to member banks and particularly to small member banks. Members of the committee are familiar with the provisions of the Federal Reserve Act which require member banks to be par banks. It comes about by reason of the fact that the act provides that Federal Reserve banks shall receive checks at par and member banks are prohibited from charging exchange on checks presented by a Federal Reserve bank.

If Congress, by this legislation, authorizes the absorption of exchange, it must be because Congress believes that banks, or at least small banks, should be permitted to charge exchange. Certainly, therefore, it would be extremely unfair to the small National and member State banks, which are equally as small and greater in number than the nonpar banks, for Congress to continue to require them to be par banks. I believe that such action would be decidedly a backward step and would put a heavy and undue burden on business and commerce; but, in the last analysis, the question is one for Congress and if it is right for one small group of banks it should be right for all banks.

Moreover, if Congress believes that member banks should be permitted and thus encouraged to absorb exchange charged by nonmember banks, I would like to say a word in behalf of the proportionately far greater number of small banks which have no exchange to be absorbed and to suggest as a not-too-happy alternative that member banks be permitted to pay interest on bank balances to the extent such balances are not a part of the required reserves of the depositing bank. Since member banks receive no interest on their required reserves, this would result in all small banks alike receiving interest on their balances with correspondent banks to the extent, of course, that their correspondent banks would be willing to pay interest on such accounts. At the same time, unrestrained bidding for balances on the scale which contributed to the bank holiday in 1933 could be reduced by authorizing the Board to fix the maximum amount of interest which could be paid on these accounts in the same manner as it now does in the case of time deposits.

Mr. Chairman, I cannot sit by as Chairman of the Board of Governors of the Federal Reserve System without raising my voice in protest against a measure designed to undermine the System as this would. Not only would it discriminate against the Federal Reserve System but it would be equally discriminatory against the national banking system, both of which were created by Congress in the first instance. I can see in this bill encouragement to withdraw from the System, encouragement to extend nonpar clearance, and encouragement to revert to the unsound practices of the pre-bank-holiday period and all of this would come at a time of all times when the banking system must continue to meet the greatest challenge it has ever faced.

Number of par and nonpar banking offices, by States, June 30, 1944

[Includes branches and additional offices, except offices at military reservations, classified according to Federal Reserve par list status. Preliminary figures, subject to minor change]

| State                     | Total, all commercial banking offices <sup>1</sup> | Banking offices on Federal Reserve par list |                              |                    | Banking offices not on Federal Reserve par list |
|---------------------------|--|---|------------------------------|--------------------|---|
|                           |  | Total                                       | Of member banks <sup>1</sup> | Of nonmember banks |   |
| Alabama.....              | 237  | 110   | 103                          | 7                  | 127   |
| Arizona.....              | 38   | 38  | 28                           | 10                 | —   |
| Arkansas.....             | 241  | 100   | 67                           | 33                 | 141   |
| California.....           | 1,016  | 1,016                                       | 893                          | 123                | —   |
| Colorado.....             | 140  | 140   | 92                           | 48                 | —   |
| Connecticut.....          | 132  | 132   | 69                           | 63                 | —   |
| Delaware.....             | 52   | 52  | 18                           | 34                 | —   |
| District of Columbia..... | 51   | 51  | 47                           | 4                  | —   |
| Florida.....              | 164  | 78  | 60                           | 18                 | 86  |
| Georgia.....              | 369  | 101   | 83                           | 18                 | 268   |
| Idaho.....                | 86   | 86  | 63                           | 23                 | —   |
| Illinois.....             | 827  | 825   | 466                          | 359                | 2   |
| Indiana.....              | 564  | 564   | 246                          | 318                | —   |
| Iowa.....                 | 808  | 808   | 162                          | 646                | —   |
| Kansas.....               | 622  | 620   | 213                          | 407                | 2   |
| Kentucky.....             | 420  | 413   | 134                          | 279                | 7   |
| Louisiana.....            | 202  | 76  | 69                           | 7                  | 126   |
| Maine.....                | 126  | 126   | 73                           | 53                 | —   |
| Maryland.....             | 255  | 255   | 131                          | 124                | —   |
| Massachusetts.....        | 312  | 312   | 264                          | 48                 | —   |
| Michigan.....             | 614  | 613   | 373                          | 240                | 1   |
| Minnesota.....            | 677  | 255   | 215                          | 40                 | 422   |
| Mississippi.....          | 248  | 27  | 25                           | 2                  | 221   |
| Missouri.....             | 591  | 514   | 171                          | 343                | 77  |
| Montana.....              | 110  | 90  | 69                           | 21                 | 20  |
| Nebraska.....             | 410  | 258   | 143                          | 110                | 152   |
| Nevada.....               | 23   | 23  | 20                           | 3                  | —   |
| New Hampshire.....        | 67   | 67  | 54                           | 13                 | —   |
| New Jersey.....           | 472  | 472   | 388                          | 84                 | —   |

See footnotes at end of table.

Number and deposits of commercial banks classified according to Federal Reserve par list status, June 30, 1944

[Deposits as of December 1943, in thousands of dollars. Preliminary figures, subject to minor change]

| State                     | All commercial banks <sup>1</sup> |            | Member banks <sup>1</sup> |            | Par-nonmember banks |           | Nonpar banks |          |
|---------------------------|-----------------------------------|------------|---------------------------|------------|---------------------|-----------|--------------|----------|
|                           | Number                            | Deposits   | Number                    | Deposits   | Number              | Deposits  | Number       | Deposits |
| Alabama.....              | 217                               | 841,422    | 83                        | 706,896    | 7                   | 13,666    | 127          | 120,860  |
| Arizona.....              | 12                                | 229,188    | 7                         | 198,130    | 5                   | 31,058    | —            | —        |
| Arkansas.....             | 223                               | 483,671    | 66                        | 348,905    | 28                  | 32,936    | 129          | 101,830  |
| California.....           | 192                               | 8,857,658  | 110                       | 8,100,708  | 82                  | 756,950   | —            | —        |
| Colorado.....             | 140                               | 720,327    | 92                        | 662,258    | 48                  | 58,069    | —            | —        |
| Connecticut.....          | 116                               | 1,290,318  | 63                        | 873,090    | 53                  | 417,228   | —            | —        |
| Delaware.....             | 41                                | 372,770    | 17                        | 278,728    | 24                  | 94,042    | —            | —        |
| District of Columbia..... | 21                                | 705,729    | 18                        | 685,422    | 3                   | 20,307    | —            | —        |
| Florida.....              | 164                               | 1,057,874  | 60                        | 842,772    | 18                  | 69,093    | 86           | 146,004  |
| Georgia.....              | 344                               | 1,191,869  | 62                        | 913,273    | 17                  | 48,820    | 265          | 229,776  |
| Idaho.....                | 46                                | 257,898    | 25                        | 225,031    | 21                  | 32,867    | —            | —        |
| Illinois.....             | 827                               | 8,520,887  | 466                       | 7,953,023  | 359                 | 566,083   | 2            | 1,781    |
| Indiana.....              | 494                               | 1,974,956  | 223                       | 1,446,149  | 271                 | 528,807   | —            | —        |
| Iowa.....                 | 652                               | 1,428,031  | 162                       | 774,486    | 490                 | 653,545   | —            | —        |
| Kansas.....               | 622                               | 1,028,152  | 213                       | 695,494    | 407                 | 331,808   | 2            | 850      |
| Kentucky.....             | 389                               | 1,022,057  | 113                       | 697,077    | 269                 | 322,773   | 7            | 2,207    |
| Louisiana.....            | 148                               | 1,062,773  | 40                        | 833,888    | 4                   | 26,350    | 104          | 202,535  |
| Maine.....                | 66                                | 346,111    | 40                        | 251,717    | 26                  | 94,394    | —            | —        |
| Maryland.....             | 175                               | 1,322,927  | 79                        | 974,796    | 96                  | 348,131   | —            | —        |
| Massachusetts.....        | 192                               | 3,581,779  | 154                       | 3,302,333  | 38                  | 270,446   | —            | —        |
| Michigan.....             | 439                               | 3,760,199  | 228                       | 3,391,755  | 210                 | 368,176   | 1            | 268      |
| Minnesota.....            | 671                               | 1,873,354  | 209                       | 1,498,988  | 40                  | 78,429    | 422          | 295,937  |
| Mississippi.....          | 200                               | 486,214    | 25                        | 187,473    | 2                   | 5,734     | 173          | 293,007  |
| Missouri.....             | 591                               | 2,901,699  | 171                       | 2,410,913  | 343                 | 423,898   | 77           | 68,888   |
| Montana.....              | 110                               | 319,052    | 69                        | 264,542    | 21                  | 24,737    | 20           | 29,773   |
| Nebraska.....             | 408                               | 834,275    | 146                       | 661,373    | 110                 | 95,153    | 152          | 77,749   |
| Nevada.....               | 10                                | 99,101     | 8                         | 93,359     | 2                   | 5,742     | —            | —        |
| New Hampshire.....        | 65                                | 158,644    | 53                        | 134,492    | 12                  | 24,152    | —            | —        |
| New Jersey.....           | 351                               | 3,098,143  | 293                       | 2,633,344  | 58                  | 464,799   | —            | —        |
| New Mexico.....           | 41                                | 162,223    | 27                        | 130,427    | 14                  | 31,811    | —            | —        |
| New York.....             | 695                               | 28,102,757 | 593                       | 26,687,950 | 102                 | 1,414,807 | —            | —        |
| North Carolina.....       | 202                               | 1,127,680  | 54                        | 682,049    | 22                  | 148,756   | 126          | 296,875  |
| North Dakota.....         | 153                               | 299,836    | 42                        | 129,913    | 3                   | 59,087    | 108          | 110,836  |
| Ohio.....                 | 680                               | 5,068,468  | 415                       | 4,530,990  | 265                 | 487,473   | —            | —        |
| Oklahoma.....             | 332                               | 914,691    | 215                       | 793,707    | 155                 | 115,780   | 12           | 5,204    |
| Oregon.....               | 68                                | 897,132    | 32                        | 848,329    | 36                  | 48,803    | —            | —        |
| Pennsylvania.....         | 1,029                             | 7,489,012  | 764                       | 6,509,211  | 265                 | 979,801   | —            | —        |
| Rhode Island.....         | 22                                | 507,894    | 13                        | 457,230    | 9                   | 60,664    | —            | —        |
| South Carolina.....       | 145                               | 393,510    | 28                        | 283,974    | 4                   | 6,552     | 113          | 102,984  |
| South Dakota.....         | 164                               | 240,051    | 60                        | 168,264    | 7                   | 6,604     | 97           | 65,183   |
| Tennessee.....            | 293                               | 1,297,637  | 76                        | 1,046,847  | 54                  | 114,973   | 163          | 135,812  |
| Texas.....                | 848                               | 3,658,958  | 535                       | 3,302,448  | 229                 | 307,859   | 84           | 48,651   |
| Utah.....                 | 67                                | 383,855    | 34                        | 327,925    | 23                  | 55,930    | —            | —        |
| Vermont.....              | 71                                | 169,804    | 39                        | 85,647     | 32                  | 74,157    | —            | —        |

See footnotes at end of table.

Number of par and nonpar banking offices, by States, June 30, 1944—Continued

[Includes branches and additional offices, except offices at military reservations, classified according to Federal Reserve par list status. Preliminary figures, subject to minor change]

| State               | Total, all commercial banking offices | Banking offices on Federal Reserve par list |                 |                    | Banking offices not on Federal Reserve par list |
|---------------------|---------------------------------------|---|-----------------|--------------------|---|
|                     |                                       | Total                                       | Of member banks | Of nonmember banks |   |
| New Mexico.....     | 47                                    | 47  | 27              | 20                 | —   |
| New York.....       | 1,332                                 | 1,332                                       | 1,174           | 158                | —   |
| North Carolina..... | 341                                   | 100   | 70              | 30                 | 241   |
| North Dakota.....   | 176                                   | 45  | 42              | 3                  | 131   |
| Ohio.....           | 849                                   | 849   | 563             | 286                | —   |
| Oklahoma.....       | 382                                   | 370   | 215             | 155                | 12  |
| Oregon.....         | 138                                   | 138   | 98              | 40                 | —   |
| Pennsylvania.....   | 1,135                                 | 1,135                                       | 850             | 285                | —   |
| Rhode Island.....   | 59                                    | 59  | 39              | 20                 | —   |
| South Carolina..... | 169                                   | 53  | 49              | 4                  | 116   |
| South Dakota.....   | 205                                   | 87  | 80              | 7                  | 118   |
| Tennessee.....      | 344                                   | 162   | 105             | 57                 | 182   |
| Texas.....          | 848                                   | 764   | 535             | 229                | 84  |
| Utah.....           | 70                                    | 70  | 43              | 27                 | —   |
| Vermont.....        | 79                                    | 79  | 41              | 38                 | —   |
| Virginia.....       | 386                                   | 339   | 221             | 118                | 47  |
| Washington.....     | 219                                   | 204   | 144             | 60                 | 15  |
| West Virginia.....  | 180                                   | 175   | 107             | 68                 | 5   |
| Wisconsin.....      | 695                                   | 502   | 178             | 324                | 193   |
| Wyoming.....        | 56                                    | 55  | 37              | 18                 | 1   |
| Total.....          | 17,584                                | 14,787                                      | 9,362           | 5,425              | 2,797   |

<sup>1</sup> Includes (a) 102 private banks that do not report to State banking departments, in Georgia, Iowa, Michigan, and Texas, (b) 13 "cooperative" banks in Arkansas. Excludes (a) all nonmember mutual savings banks, on a few of which some checks are drawn, (b) 51 nonmember industrial banks and 54 nonmember nondeposit trust companies on which no checks are drawn.

<sup>2</sup> Includes 3 mutual savings banks and 5 nondeposit trust companies.



*Number and deposits of commercial banks classified according to Federal Reserve par  
list status, June 30, 1944—Continued*

[Deposits as of December 1943, in thousands of dollars. Preliminary figures, subject to minor change.]

| State              | All commercial banks |             | Member banks |            | Par nonmember banks |            | Nonpar banks |           |
|--------------------|----------------------|-------------|--------------|------------|---------------------|------------|--------------|-----------|
|                    | Num-ber              | Deposits    | Num-ber      | Deposits   | Num-ber             | Deposits   | Num-ber      | Deposits  |
| Virginia.....      | 313                  | 1,255,671   | 194          | 1,035,782  | 84                  | 179,269    | 35           | 40,620    |
| Washington.....    | 124                  | 1,458,162   | 56           | 1,367,838  | 53                  | 77,432     | 15           | 12,892    |
| West Virginia..... | 180                  | 545,563     | 107          | 426,961    | 68                  | 113,060    | 5            | 5,542     |
| Wisconsin.....     | 560                  | 1,897,237   | 157          | 1,351,252  | 267                 | 432,511    | 136          | 113,474   |
| Wyoming.....       | 56                   | 136,023     | 37           | 112,008    | 18                  | 23,754     | 1            | 261       |
| Total.....         | 14,009               | 105,823,257 | 6,773        | 92,369,167 | 4,774               | 10,946,291 | 2,462        | 2,507,799 |

<sup>1</sup> Includes (a) 102 private banks that do not report to State banking departments in Georgia, Iowa, Michigan, and Texas, (b) 13 "cooperative" banks in Arkansas. Excludes (a) all nonmember mutual savings banks, on a few of which some checks are drawn, (b) 51 nonmember industrial banks and 64 nonmember nondeposit trust companies on which no checks are drawn.

<sup>2</sup> Comprises all member banks, including 3 mutual savings banks and 5 nondeposit trust companies.

NOTE.—This table does not include deposits of industrial banks and "trust balances" of nondeposit trust companies on which no checks are drawn; also, deposit figures in this table are aggregates of December 1943 figures reported by banks that were in existence in June 1944. Consequently they differ from total deposits in December 1943 of banks then in existence. The member bank figures include, and the nonmember bank figures exclude, deposits of banks that became members between December 1943 and June 1944.

Mr. TAFT. Mr. President, there are on file with the Committee on Banking and Currency some 3,695 communications relating to the Brown-Maybank bill, and, of those, 3,081 are from persons or organizations opposed to the bill.

I might say further that the State banking associations in some 25 States have acted in opposition to the Maybank bill and submitted resolutions to the committee; namely, the State banking associations of Colorado, Connecticut, the District of Columbia, Idaho, Illinois, Indiana, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, New Hampshire, New Jersey, New Mexico, New York, Ohio, Oklahoma, Rhode Island, Utah, Vermont, West Virginia, and Wyoming.

Mr. President, the Maybank bill attempts to amend the section of the Federal Reserve Act which provides—

The Board of Governors of the Federal Reserve System is authorized \* \* \* to determine what shall be deemed to be a payment of interest, and to prescribe such rules and regulations as it may deem necessary to effectuate the purposes of this section and prevent evasions thereof.

The Federal Reserve Act provides, in section 12—

No member bank shall, directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand.

The practice which exists among non-par banks, affecting a very small percentage of the total deposits of this country, is to charge exchange on checks drawn on those banks. For instance, if I am living in a small town, and I have a deposit in a non-par bank, I can of course go to that bank with my check and draw out the money without payment of exchange, but if I send my check to Chicago in payment of a bill, we will say, and the Chicago man deposits the check in his bank, the Chicago bank sends the check to a bank in Atlanta, the Atlanta bank presents it to the nonpar bank, it refuses to pay the \$1,000 for which the check is drawn, but will pay on the check only about \$997.50, refusing to honor the check according to its terms.

Mr. McKELLAR. Mr. President, will the Senator from Ohio yield?

Mr. TAFT. I yield.

Mr. McKELLAR. For more than 9 years the Federal Reserve Board acquiesced in that practice, indicating by so doing, apparently, that they did not believe the practice to be wrong. Now, after about 10 years, they make a different ruling.

Mr. TAFT. I will answer the Senator later. I was only trying to describe the process.

Mr. McKELLAR. Very well.

Mr. TAFT. That means, of course, that the depositors in these banks do not like that practice very much because, of course, people to whom they try to pay their bills object to accepting less than the full amount of a check. In States like Nebraska or South Dakota those exchange charges are not absorbed. The central banks do not absorb them. When the individual who received the check presents the check to the bank he is paid only \$997.50.

Naturally the depositors do not particularly like such a practice, and in some States it has gradually driven away the depositors from the nonpar banks. We had witnesses from Nebraska before the committee who testified that they felt that as a business matter the payment of checks at par was advisable, and was the only manner in which they could handle it. In the South, however, they have not been obliged to make it inconvenient for their depositors, because the city banks have been in the habit of absorbing those exchange charges. So that in effect the city banks pay this difference to the small nonpar banks. Of course, there is no reason in the world why they should pay it, except that they like to have on deposit with them the deposits of the small nonpar banks. The nonpar banks feel and really the equitable argument made here is, that the local depositors should not have to pay this expense, which may be a necessary expense; that it is proper to pass it on to the central banks, because the deposits of local money, which are made to the central banks, are of some value to the central banks, and therefore they ought to pay the exchange, and it is perfectly proper for them to do so.

Of course, logically there was an argument for the payment of compensation for deposits, but Congress has taken the

position that there should be no compensation paid for demand deposits in the United States. That has been repeated over and over again. It is set forth in the law and is repeated in the Federal Reserve Act. We prohibit the payment of interest. We say in effect that to permit the payment of any compensation for demand deposits creates an unfortunate condition in the banking business, and that it tends to draw the money away from local districts, where it can be loaned out and tends to bring the money into the central banks, and finally into New York. Of course, in the great example in 1929, it resulted in the sending of all the money to New York, where it was used on the call market to promote stock exchange speculations.

A condition like that is not likely again to arise. But the policy of Congress is definite—that banks shall not pay interest on demand deposits left with them either by individuals or by other banks. The effect of this absorption practice is to permit a payment of compensation, and it is absolutely contrary to the whole principle of the law, of the Federal Reserve Act, which is laid down by Congress.

The only question which concerned me is the same question which has undoubtedly concerned the Federal Reserve Board, and has led to the fact that this practice has continued—whether or not the Federal Reserve Board has the right to say that payment of compensation in the form of the absorption of exchange charges is interest within the terms of the Federal Reserve Act. The Federal Reserve Act provides:

No member bank shall pay any interest directly or indirectly by any device whatsoever.

Certainly that is an indication to Congress that they intend a broad definition of these terms. As a matter of fact, the Federal Reserve Board has never issued a regulation saying that exchange charges cannot be absorbed. The Federal Reserve Board has only ruled in an individual case. Their regulations, which have been worked out with the F. D. I. C., only define interest as "any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit."

That is the regulation. The Board has never said that the payment of exchange charges in any case is interest and is a violation of the law. All they have said is that in a particular case on which they ruled it was a device for the payment of interest. Now even the F. D. I. C., which is supporting the bill, has a regulation which says that the absorption of exchange charges is not interest—

In the absence of facts or circumstances establishing that the practice is resorted to as a device for the payment of interest.

The F. D. I. C. itself is supporting the bill, but Mr. Brown, of the F. D. I. C., in an opinion, says:

This opinion will not apply to cases where the particular circumstances are such as to establish that the practice has been resorted to deliberately as a device for the payment of compensation to a depositor for the use of his funds.



So the Board and the F. D. I. C. are in agreement as far as official regulations are concerned that exchange charges may be absorbed unless the payment of those charges is used as a device for the payment of interest.

The particular case which the Federal Reserve Board ruled on was a case of this sort. The bank had absorbed exchange charges for customers keeping so-called compensating balances. In 1942 it had absorbed for such customers \$18,000 out of \$25,000 exchange charges paid. In the first 3 months of 1943 it had absorbed \$4,600 out of \$5,600. In some instances the amount absorbed for some customers amounted to as much as 2 or 3 percent of their balances. That its total correspondent bank deposits had increased from less than \$7,000,000 at the end of 1941 to nearly \$18,000,000 in 1943, a ratio far greater than the increase in its total demand deposits, or of the corresponding increases of other banks in the same area. The exchange charges were not absorbed, but were charged back when, because of a lack of a compensating balance, the bank had "no way of making it back."

In other words, they made this contingent on the fact that the bank kept a compensating balance. In other words it was clearly a compensation for the keeping of a balance in that particular bank.

On occasion the bank had written to its correspondent banks suggesting that they pay items sent to such banks in return for the parring by the subject bank of items received from such banks. In one instance accounts had been shifted from a competing bank to the subject bank because of its willingness to absorb such charges. In those circumstances the Board ruled that the bank in question was violating the prohibition against the payment of interest on demand deposits.

Mr. President, if the pending amendment is agreed to it means that regardless of how exchange charges are used, regardless of how they are made dependent upon the keeping of balances in certain amounts, nevertheless they are lawful. It seems to me clear that if we pass such a sweeping law as that we not only permit the continuation of the charges that have been made, but we actually open up a manner in which the prohibition against payment of interest may be directly avoided by banks throughout the entire United States. We, in other words, permit the violation. We say that you cannot pay interest, but you can use this method of going around behind and actually paying interest for deposits. In other words it seems to me that this measure breaks down the whole principle established by Congress that interest shall not be paid on demand deposits.

I think it is unfortunate that the measure comes up on the floor of the Senate. We might work out some method by which absorption of exchange charges could be frozen so that the practice could continue where it has existed, but could not in any way be extended. Certainly the proposed method of saying that any exchange charges may be made regardless of whether they are

compensation for funds, violates not only the rules of the Federal Reserve Board but also the principles laid down by the Federal Deposit Insurance Corporation.

I may say in answer to the Senator from Tennessee that Mr. Eccles has made a statement as to why the Board has not acted before this time. As I have pointed out, the Board has ruled on a particular case. Incidentally, any bank can dispute the validity of the regulation. I do not think it would be done, because the regulation is clearly valid. Any bank to which the Federal Reserve Board says, "You cannot absorb exchange charges" may cooperate with its depositing bank to take the case to court for a determination of what the law actually is, or whether in its particular case it has been using exchange charges as a device to pay interest on demand deposits. That question can be taken to court.

It seems to me that it would probably be better to leave the question to be determined in each individual case, and let the courts permit interest to be paid in cases in which it is the customary practice, with no relation to the money on deposit in compensating balances. There would still be the threat against the extension of the practice. That would remain in the law as it is today. I see no reason why we should attempt, by a sweeping regulation, to authorize a practice which, if extended, would certainly break down the whole prohibition against the payment of interest, and would break down the effort to obtain par clearance throughout the United States.

Mr. Eccles says in his report:

First, I understand that the question has been asked, Why, if this law has been in the books since 1933, was it not enforced until September 1943? \* \* \*

Let me say that there never has been a time since I have been on the Board when all of the Board have not believed that the absorption of exchange by a member bank under the circumstances outlined in its published ruling of September 1943 was a violation of the statute Congress enacted. In December 1935 the Board proposed to incorporate in its Regulation Q language which, in so many words, would so provide. The F. D. I. C. refused to go along in its corresponding regulation applicable to nonmember insured banks so the Board postponed the effective date of its proposed amendment. The Board did so because it seemed extremely unfortunate that member banks should operate under one rule and nonmember banks under another. It hoped to be able to find some basis for agreement between the two viewpoints and to avoid the very situation which now exists.

In December of 1936 the Board again proposed an amendment to its Regulation Q along the lines of the 1935 proposal. It was at that time that Chairman Steagall, of the House Banking and Currency Committee, and the chairman of this committee asked the Board again to defer the effective date of the proposed amendment. Some Members of Congress indicated that they had in mind proposing an amendment to the statute. The Board acceded to the request for a deferment, but it did not recede from its position.

He then quotes from a letter which he wrote to Chairman Steagall on January 30, 1937, stating that the Board would defer further action because of the request of Congress, and the proposal that

legislation would be brought before Congress to clarify the situation.

Continuing with Mr. Eccles' statement:

Before May 1, 1937, the Board conceived the idea and suggested to Mr. Crowley that the lawyers of the two agencies get together and write a definition of interest which would merely restate what the courts have said in defining the term. This was done and on February 12, 1937, the applicable regulation of the F. D. I. C. and the Board's regulation Q, were amended to provide that, for the purposes of both regulations, "interest" should mean "any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit." The regulations of both agencies thereupon became uniform in this respect. At the same time the Board and the F. D. I. C. issued a joint statement for the press in which it was pointed out that the effect of the amendments was to declare existing law rather than to interpret and apply the law to particular practices.

Mr. President, I do not think it is necessary for me to read all of Mr. Eccles' history of the actions of the Board; but I think it is perfectly clear that the Board has always maintained that this practice could become, and was becoming, a payment of interest; that it was breaking down the Board's rules; and that the Board only waited until a particular case could come before it, in which the facts clearly showed that it was being used as a payment of interest, to make the ruling of September 1943.

Furthermore, no rule has ever been made which absolutely prohibits the absorption of exchange charges. The Board is merely interpreting the statute. The courts are free to interpret the statute in some other way.

Mr. President, I believe that it is most unfortunate for the Senate to countenance the practice of taking a bill away from a committee, by means of attaching it as an amendment to another bill, with which it has nothing whatever to do. It is obvious to me in this case that there is at least some prospect, if we consider the proposed amendments, of arriving at an agreement in the committee. I do not see how it can be done on the floor of the Senate. That is a further reason why these matters should be considered carefully by the committee. Until the committee has shown an unwillingness to act, or its opposition to the bill, there seems to be no reason why it should be offered as an amendment to the pending bill. I know that the chairman of the committee feels strongly that the committee should not be deprived of jurisdiction. I feel very confident that the measure proposed is of such a sweeping character that it would not only protect the existing practice where it already exists, regardless of its merits, but would also open the door much wider than at present to the general extension of this practice to States in which it does not exist. Probably in a good many more than a majority of the States the practice does not exist; and certainly we have the right to ask that no change in the law be made which would introduce that practice into other States, regardless of what its merits may be in the States in which it now exists.



Mr. REVERCOMB. Mr. President, yesterday I discussed certain points which have arisen in the course of this debate on the pending amendment. Today I have before me an article written by Walter Wyatt, who is a distinguished lawyer of Washington, and also general counsel for the Federal Reserve System. It is especially to be noted that the views expressed by him are not stated in his official capacity as counsel for the Federal Reserve System; yet we know that he speaks with authority on this subject. The title of the article is "The Par Clearance Controversy." It was published in the Virginia Law Review for June 1944. I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks certain excerpts from Mr. Wyatt's article. I ask that the footnotes showing the authorities cited be omitted. The statement given here is a summary of the history of this controversy and the conclusions of this authority upon the subject.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

#### THE PAR CLEARANCE CONTROVERSY

The par clearance controversy, which raged in Congress during the consideration of the original Federal Reserve Act in 1913, was revived by the so-called Hardwick Amendment in 1917, and was fought out in the courts during the 1920's, has recently been reopened by the introduction of certain bills in Congress. It is essentially a controversy between banks and commercial interests on the one hand which wish to have checks circulate freely at full face value and a small minority of banks on the other hand which wish to derive a profit from the obsolete practice of deducting so-called exchange charges when remitting to out-of-town points for checks drawn upon themselves.

This controversy originated when Hon. CARTER GLASS, of Virginia, incorporated in the original Federal Reserve Act, of which he was the author, provisions designed to provide for the collection of checks at par by the Federal Reserve banks. It was revived in 1917 when a committee of bankers sought to have a rider for the purpose of restoring to member banks of the Federal Reserve System and preserving to nonmember banks the right to exact exchange charges attached to a bill containing important wartime amendments to the Federal Reserve Act. This effort was resisted successfully, but the resulting legislation was so ambiguous and self-contradictory that the battle was continued in the courts. It resulted in several decisions of national importance by the Supreme Court of the United States.

It appeared that this controversy was settled by these decisions and by certain modifications in the check collection practices of the Federal Reserve system. However, it has been reopened by certain bills introduced in Congress in January 1944, which involve the question only indirectly but the enactment of which would have unfortunate effects upon our banking system.

#### HOW PRESENT CONTROVERSY AROSE

Competition between banks for the deposits of other banks and large corporations resulted during the 1920's in the undue concentration of such deposits in banks which were willing to engage in unsound competition for them, usually by paying excessive rates of interest. The banking difficulties in 1932 and 1933 were accentuated and increased by the sudden withdrawal of such deposits, especially by large corporations having large balances in numerous different banks. This precipitated the failure of several large banks

in places like Detroit, Baltimore, and Cleveland. The failure of these banks pulled down numerous other banks which had entrusted their reserves to them, precipitating State-wide "banking holidays" in States like Michigan, Maryland, and Ohio, and contributing very largely to the Nation-wide suspension of the banking business on March 4, 1933.

As a consequence, Congress provided in the Banking Act of 1933 that, with certain exceptions, not pertinent here, "No member bank [of the Federal Reserve System] shall, directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand." By an amendment contained in the Banking Act of 1935, Congress also required the Board of Directors of the Federal Deposit Insurance Corporation to prescribe Regulations imposing similar restrictions on all nonmember banks whose deposits are insured by the Federal Deposit Insurance Corporation.

Certain banks sought to evade this prohibition by undertaking to absorb exchange charges on checks collected by them as an inducement for the maintenance of balances with them by the banks from which such checks were received for collection. In response to an official request from the Comptroller of the Currency based upon the facts in a specific case, the Board of Governors of the Federal Reserve System expressed the opinion that the practice reflected by the facts stated in the inquiry constituted a violation of the law and published its administrative interpretation of the law in the Federal Reserve Bulletin.

This resulted in vigorous protests by a vociferous minority of banks which still charge exchange. They claimed that the Board's action was a revival of the effort of the Federal Reserve System to enforce universal par clearance. This claim was based on the attenuated theory that, if intermediate collecting banks could not absorb these charges and had to pass them back to the owners of the checks, the owners would complain to the drawers of the checks because their obligations had not been paid in full, and the drawers would bring pressure on their own banks to discontinue the practice of charging exchange. It was claimed that numerous small nonmember banks located principally in a dozen Southeastern and Mississippi Valley States could not exist without the revenue derived from these charges.

These protests resulted in hearings before the Banking and Currency Committee of the House of Representatives in December 1943, for the purpose of bringing pressure upon the Reserve Board to reverse its interpretation of the law. This effort proving unsuccessful, bills were introduced in both Houses of Congress to amend the law so as to provide that it "shall not be deemed to prohibit the absorption of exchange and collection charges by member banks." Hearings were continued in the Banking and Currency Committee of the House of Representatives during January and February 1944; the House bill was reported favorably on February 15, 1944, although five members of the committee filed a strong dissenting report; and the bill passed the House of Representatives on March 2, 1944.

The primary effect of the enactment of this bill would be to impair the safeguards erected in 1933 and 1935 against unsound competition for deposits of other banks and large corporations; but it would also encourage many banks which now pay their checks at par to discontinue doing so and would encourage many banks to withdraw from the National Banking System and the Federal Reserve System in order to obtain the revenue derived from exchange charges. Thus, the old par-clearance controversy is reopened.

Many of those participating in the fight over the pending legislation are unfamiliar with the past history of the par-clearance controversy and many inaccurate and mis-

leading statements have been made about it. Therefore, it is believed that a review of the past history of the legislation and litigation regarding the par clearance of checks would be timely, and would serve a useful public purpose.

#### CONCLUSION

The issue of par clearance has twice been considered by Congress; and on both occasions Congress has decided in favor of the par collection of checks by Federal Reserve banks, notwithstanding the determined opposition of a group of bankers who desired to preserve for themselves a source of private profit at the expense of the business and commerce of the country by perpetuating the obsolete practice of charging exchange, with all of the attendant evils of an inefficient, cumbersome, expensive, and dangerous method of check collection. On the first occasion, Congress required Federal Reserve banks to collect at par all checks on member banks sent to the Federal Reserve banks by their depositors. On the second occasion, it broadened the scope of the authority of Federal Reserve banks to collect checks and required that all checks collected by them must be collected at par, regardless of whether they be drawn on member or nonmember banks.

The courts have upheld these powers and requirements almost completely. They have upheld the constitutionality of the requirement that Federal Reserve banks must collect checks on member banks at par and that member banks must remit at par for their own checks when forwarded to them by Federal Reserve banks. They have upheld the right of Federal Reserve banks to collect checks on nonmember banks whenever they can be collected at par; and they have upheld the right of Federal Reserve banks to send checks on nonmember banks to local agents without accumulation for orderly presentation across the counter in order to obtain payment at par, except in States with antipar-clearance statutes like that in North Carolina.

As a matter of policy, the Federal Reserve System voluntarily discontinued presenting checks on nonmember banks through other than the usual banking channels; but there is no legal reason why it could not resume that practice if it were inclined to do so in order to collect checks on nonmember banks which will not pay their checks at par when presented through the mails.

With this possibility of enforcing par clearance directly by established methods of proven efficacy, it is absurd to say that the Board of Governors of the Federal Reserve System is now endeavoring to enforce universal par clearance by indirection, merely because it has expressed the opinion that the practice of absorbing exchange charges as compensation for the maintenance of deposits is a violation of the law which forbids member banks to pay interest on demand deposits, "directly or indirectly, by any device whatsoever."

WALTER WYATT.

WASHINGTON, D. C.

Mr. TAFT. Mr. President, acting on behalf of the Senator from New York [Mr. WAGNER], I should like to inquire whether any other Senator wishes to speak against the amendment. I have no notice that any other Senator wishes to speak against it. If any Senator who wishes to speak against the amendment will communicate with me, I shall be glad to yield to him as much time as possible.

Mr. BILBO. Mr. President, I take it that if the opponents of the amendment are not willing to consume their full time, its proponents can speak until 2 o'clock.



The VICE PRESIDENT. The proponents of the amendment have 52 minutes allotted to them.

Mr. BILBO. Very well.

Mr. President, the pending amendment has been brought forward because of the attempt of a bureaucratic group which apparently exists in some parts of the city of Washington to regulate the affairs of the American people from the banks of the Potomac River. The bill, which is the subject matter of the amendment, was introduced by the Senator from South Carolina [Mr. MAYBANK], and is identical with House bill 3956, which passed the House on the 3d of last March by an overwhelming vote; in fact, the House was so nearly unanimous in support of the bill that the opponents were not even able to obtain a yeand-nay vote on the question of its passage.

I appreciate the fact that at this time the proponents of the amendment are in a somewhat awkward position in urging its adoption before the hearing on the bill which is now being conducted by the Committee on Banking and Currency has been completed. But that situation, I wish the Senate to understand, is not our fault. The bill came to the Senate from the House of Representatives on the 3d of last March, and the committee has had more than 8 months in which to hold hearings on it. Why there has been so much delay, I do not know. Sometimes a good way to defeat a measure is to delay the hearings on it. The hearings on the Brown-Maybank bill before the Senate committee did not start until last week. But there was a very full and complete hearing on the bill in the House committee. I hold in my hand a copy of those hearings. They were held at various times in the months of December 1943 and January and February 1944, and they lasted almost 30 days. After a full hearing, the House was practically unanimous in voting for the passage of the bill.

I also appreciate the basis of the objection to attaching the Maybank bill as an amendment to the crop-insurance bill which is being sponsored by the Senator from Oklahoma [Mr. THOMAS]. I appreciate the fact that the legislation proposed by the pending amendment is not germane to the provisions of the crop-insurance bill. But I also know that there is no Senate rule requiring germaneness. Therefore, it is parliamentarily proper to attach the Maybank bill as an amendment to the crop-insurance bill.

Some Senators may think that the adoption of the Maybank bill as an amendment to the crop-insurance bill, to which it is not germane, might in some way mitigate against the chances of passage of the crop-insurance bill. But I do not believe it would affect the chances of the passage of the crop-insurance bill either in the Senate or in the House. In fact, I should like to call the attention of the Senator from Oklahoma to my belief that if he will agree to have the Maybank bill adopted as an amendment to the crop-insurance bill, its adoption will make sure the passage of the crop-insurance bill in the House of Representa-

tives, because it is my understanding that the Members of the House of Representatives are stronger in their advocacy of the Maybank-Brown bill which would do away with the autocratic, bureaucratic ruling of the Federal Reserve Board than they are in their support of the crop-insurance bill. So, Mr. President, if the pending amendment be adopted to the crop-insurance bill, I am sure it will help the passage of that bill in the House of Representatives. I merely offer that as a suggestion to the Senator from Oklahoma.

Mr. President, the present situation is one in which the big boys are lined up against the little boys. It is a case of the small banks against the large city banks. There are something over 14,000 banks in the United States. The Federal Deposit Insurance Corporation, under Mr. Crowley, has supervision of approximately 13,000 of the 14,000 banks. Mr. Crowley is very strongly in favor of the passage of the Maybank bill.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD, as a part of my remarks, two statements made by Mr. Crowley in support of the bill. One of them begins on page 112 of the House hearings. At that time Mr. Crowley pointed out the importance of the passage of the bill, and he also took occasion to point out the ultimate effect of defeat of the bill, and he intimated what the Federal Reserve System or those behind it are really after, namely, to destroy the 2,400 or 2,700 small banks which are enjoying the right and privilege of having their exchange fees absorbed by their correspondent banks. So, Mr. President, since my time is very limited, I ask unanimous consent to have printed in the RECORD Mr. Crowley's statement which begins on page 112 of the House hearings, and also his statement which begins on page 669 of those hearings, for Mr. Crowley was called before the committee a second time, and in his second statement he emphasized the facts brought out in his first statement.

There being no objection, the statements were ordered to be printed in the RECORD, as follows:

ABSORPTION OF EXCHANGE CHARGES—STATEMENT OF LEO T. CROWLEY, CHAIRMAN, FEDERAL DEPOSIT INSURANCE CORPORATION

(Friday, December 17, 1943)

Mr. CROWLEY. Mr. Chairman and members of the committee, I have a written statement which I would like to present later, but I would like to say a few words first.

I appreciate that Mr. Ransom, Mr. McKee, and their associates have made a very thorough study of this question and have gone into great detail and I might say they are all dear friends of mine and I hate to be in disagreement with them, especially on banking matters, all of the time; but, fundamentally, there is a difference between us and we have a little difficulty in agreeing on some things. From an administrative standpoint, we get along very nicely.

I think it is unfortunate that this has come up just at this time, when the Congress, apparently, is thinking about recessing for a while. I would like to have an opportunity to spend some time with this committee on this regulation and I am sure it cannot be done in half an hour's time, or an hour, that we might have this morning.

I am also sorry that Mr. Steagall is not here. We went all through this regulation several years ago and it was indicated then that this committee and many Members of Congress wanted this matter deferred. The matter of this law as interpreted by the Federal Reserve has been on the books since 1933. I appreciate Mr. Ransom is a very conscientious individual and wants to carry out the wishes of Congress.

We, too, want to carry out the wishes of Congress, but I fail to find anywhere in the direction from Congress it ever indicated a desire to deal with par clearance. You skate around all you want, but when you get right back there are a few fundamental things involved. First, I think the ruling indirectly forces par clearance on the banking system of this country, and I have always been a strong believer that in legislative matters you should meet a thing directly, not placing some fine Italian writing in a law and then interpreting it in a way that you feel your theories can best be served. And Congress certainly in the past has indicated, without question, that it is not in favor of enforcing par clearance, and the Supreme Court has indicated, as I understand it, that the Federal Reserve Board did not have the authority to do so.

Secondly, in the question of absorbing a service charge, or the question of indirect interest by absorbing exchange, what is the difference? In a practical sense, if you are going to talk about paying interest, when Sears-Roebuck carries an account with a bank that clears all of their checks and handles them for them without the service charge, where they maintain a balance of \$10,000,000, what is the difference whether the bank gives credit for that balance by way of free service in clearing checks or by way of absorbing exchange? Now, they do that all through the banking system. If you have an individual checking account and maintain a balance of three, four, or five thousand dollars, you will find you do not pay the service charge that the housewife, who has only \$100 balance, does on the items that she sends through. Now, if that is not as much of an indirect payment of interest as absorption of exchange, I do not know what you would call it. I think that Congress never intended, in this law, to deal with exchange any more than it did other service charges. I certainly have found no evidence that Congress intended either that the Federal Reserve or the Federal Deposit would outlaw these exchange charges.

Now, the net result of this indirect action is that you have some two or three or four thousand banks that may be materially affected. The amount of exchange that the large banks are absorbing is very, very nominal in the whole banking system. I think the matter has been grossly exaggerated as to the influence and effect that it has on the banking system. Furthermore, I have always been a believer in free enterprise in the banking system; that banks ought to be able to supervise themselves on certain practices and not lean on the Government to manage their institutions and to determine what practices they should pursue and what practices they should not pursue.

Certainly if we were up here to urge Congress to pass some regulation that might affect the interest rates that banks could charge on loans, you would hear a cry in holy horror that we were interfering with free enterprise, but people apparently seem to be willing, where it is financially to their advantage, not to object to interference.

I think the net result of the Federal Reserve Board's ruling is this: First, it forces par clearance; secondly, it very definitely affects the earnings of a lot of little banks. The next step, in my judgment, is that you break your little banker; you eliminate him from your banking picture, and the advocates of branch banking immediately will come along and say, "Now, this little com-



munity is in need of a bank and cannot support an independent bank, so that we have to have a branch bank to serve that community."

Now, I do not think this ruling relates to just the matter of exchange in these little banks; I think a very fundamental issue is involved, and I think this committee ought to take plenty of time to understand all of the elements that may be involved, because I think that, as you go along, you will find there are fundamental differences in principle between the Federal Reserve and the Federal Deposit Insurance. I do not say the Federal Reserve are opposed to the small bank as such, but my experience in your State banks versus your national banks—and we have had a lot of experience with their attitude toward small banks in connection with war contract advances, Government deposits, and the latest ruling—is that every move has been made to discriminate against the rights of the little nonmember bank. And when the Deposit Insurance system was set up it was very definitely understood that deposit insurance would not be used as that type of vehicle.

So, as I say to you, I think there is a lot more involved in this thing than whether you refuse to let these large banks absorb exchange charges; for these fellows amounting to eight or ten million dollars, or whatever it may be, that they are absorbing for now; I think there is a lot more involved than that.

Mr. BROWN. Mr. Crowley, may I ask just one question there?

Mr. CROWLEY. Yes.

Mr. BROWN. Suppose the Supreme Court should construe the definition of interest by the Federal Reserve Board to be wrong, unsound; then, of course, the Federal Reserve Board would be violating the law in reference to their interpretation of the word "interest"; is that true?

Mr. CROWLEY. That is right.

Mr. CRAWFORD. Could I ask Mr. Crowley a question on the statement he just made? Would you include in your general observation there, where you mentioned deposits and the absorption of exchange and those other matters that you did specifically mention, all of which tend to operate against the operation of the small banks, the effect of the Government lending agencies on their earnings? I notice you did not mention that, and I wondered if you would care to include that in your remarks.

Mr. CROWLEY. Congressman, I think my position is very well known. I have written very definite letters to this committee and also to the Senate committee, where I have agreed with the small bank on the effect of those things on the small bank's earnings.

Mr. CRAWFORD. Well, which is the greater sum involved—this eight or nine million dollars that you mentioned or the losses to the small country banks incidental to Government lending?

Mr. CROWLEY. Let me say this to you: If you ask me which arm I want to have cut off, my right or my left, I would raise the question whether you ought to cut either one of them off. I agree with you on that, that it does affect the little banks.

Let me say this to you: We do an awful lot of talking all the time about what we are going to do for the small businessman, what we are going to do for the small bank. The small banks just do not have the advocates to come before you men and present their viewpoint. They are scattered all over the United States, and one reason why they are small is because they are weaker than the larger group. And many, many of the larger banks are giving the small boys lip service on this regulation here; they are indicating to them they are all in sympathy with them, but they do not care about the thing, although at any time there is any legislation here which affects the larger

banks' interests they will use the small fellows to come in and do the fronting; but I notice every time the small bank is involved they are the ones who are left hanging out on the limb by themselves.

Mr. CRAWFORD. I have been such a close follower of yours and of your philosophy on maintaining the capital structure of the banks, the deposits of which you insure, that I have never for one moment when I was conscious lost sight of the elements which tend to prevent the small bank from earning a sufficient amount of money to preserve its capital structure.

Mr. CROWLEY. I know that; that has always been your position.

Mr. CRAWFORD. So what I was trying to get clear in my own mind is where is the greatest leakage, for comparison, not as to which is right or which is wrong, but whether it would be the \$8,000,000 or the losses to the small banks incident to the Government lending agencies coming into their communities and absorbing away from them the paper that is worth while.

Mr. CROWLEY. There is not any doubt but what in some instances the competition of Government agencies has much more effect on their earnings than this. But that is not before us now; this other matter is.

Mr. CRAWFORD. I understand. The only reason I brought that up is because you mentioned other things, and I do not believe you mentioned the Government lending agencies.

Mr. PATMAN. Mr. Chairman, I will have to go. I am anxious to hear Mr. Crowley. I would like to inquire if you expect to finish with him today, or if you will have him back later.

The CHAIRMAN. That is the pleasure of the committee. I do not know whether Mr. Crowley could conclude today or not. Since Mr. Crowley has had no opportunity as yet to present his side of the question, I told him we would recognize him today. We have started with him rather late, but I thought that we would go as long as we could today. It being doubtful that we could conclude today.

Mr. PATMAN. I will read your statement with interest, Mr. Crowley.

Mr. CROWLEY. Thank you. [Resuming statement:]

As we understand it, the question under discussion is the immediately impending general application to all member banks of the ruling of the Board of Governors of the Federal Reserve System, published in the Federal Reserve Bulletin for September 1943, and subsequently amplified, which holds the absorption of exchange to be a violation of regulation Q prohibiting the payment of interest on demand deposits.

The Federal Deposit Insurance Corporation had previously submitted a vigorous dissent from the proposed ruling of the Board of Governors of the Federal Reserve System. I should like to insert in the record at this point a copy of our letter of dissent which was addressed to the late Hon. Henry B. Steagall, then chairman of this committee.

The CHAIRMAN. Without objection, that may be done.

Mr. CROWLEY (reading):

AUGUST 20, 1943.

The Honorable HENRY B. STEAGALL,  
Chairman, Committee on Banking  
and Currency,  
House of Representatives,  
Washington, D. C.

MY DEAR MR. CHAIRMAN: We are interested to read the proposed letter of the Board of Governors of the Federal Reserve System to the Comptroller of the Currency accompanying Governor Ransom's letter to you under date of August 6, a copy of which was sent us with advice that it would be mailed on August 23.

In this letter the Board of Governors holds that the absorption of exchange charges by a national bank constitutes a payment of interest in violation of section 19 of the Federal Reserve Act and of the Board's regulation Q, which prohibit payment of interest on demand deposits by member banks.

The subject matter of this letter was discussed by representatives of this corporation with members of the Federal Reserve Board staff in January 1943, at which time they were advised that this corporation believes the Board of Governors' position to be untenable, as the question involved appears to be one which Congress has pointedly refrained from delegating to the Federal banking agencies for disposition and in which the theory of the Board of Governors would appear to require it to outlaw as well the absorption of service charges and other expenses for depositors which all banks now incur to some degree.

In practically all systems of service charges on deposit accounts, credit, up to a maximum amount of the charges, is given for the worth of the balance to the bank in terms of an assumed or hypothetical rate of interest. A survey of service charges conducted by the American Bankers Association in 1938 showed that out of 478 clearing houses replying to the inquiries, at least 387, or 81 percent, used service-charge systems, which, in effect, gave customers credit for interest on their accounts in determining the amount of service charges to be levied. Of course, no interest was actually paid; it was credited against charges which would otherwise be levied. The practice has become more widespread since that survey was made.

Under these methods of service charges the depositor whose account is considered to be desirable receives a pecuniary benefit which he would not otherwise receive in the form of free services, which represents essentially a rebate of charges. This benefit is an incentive for the maintenance of larger balances on deposit with the bank than might otherwise be maintained.

We know that it is a common practice of many depositors to balance the rate of return which they could secure on their funds, if invested, against the service charges which they would have to pay if their larger balances were withdrawn, and to base their decisions with respect to the use of their funds upon the relative advantage to accrue therefrom. The system of providing free services on the basis of minimum balances and of levying charges against those who do not maintain such balances appears to us to be as much a payment of interest as the absorption of exchange charges. In the latter case, the bank pays for something; in the former case, the bank refrains from collecting income which it would otherwise receive. The net result to the bank is precisely the same, the purpose is precisely the same. The only difference is an accident of accounting.

Therefore, if the absorption of exchange charges constitutes a prohibited payment of interest, it seems to us equally clear that the absorption of internal service charges, telephone and telegraph charges, and postage for depositors is likewise a prohibited interest payment. Dollar-wise, the volume of service charges and expenses absorbed by the banks is immeasurably greater than the exchange charges which the banks pay for their customers. Yet the Board of Governors, we believe, would frankly admit that to compel banks to pass on to their depositors expenses and charges of this character would not only be a disservice to the depositing public, but would, in their opinion, be as far beyond the scope of the Board's authority as we consider the proposed ruling to be.



As we view the proposed ruling, it is simply another attempt to force par clearance upon nonmember banks. In the past, all such attempts have been defeated administratively, legislatively, and judicially.

Over 2,100 insured banks charge exchange on items drawn against them and, while the total involved is relatively small, these charges constitute a vital source of income to these institutions. They have long fought the efforts of the proponents of free clearing to outlaw the practice and Congress was not unaware of that fact in enacting the interest provisions of the 1933 and 1935 acts. Yet Congress did not attempt to deal with the question then, and we do not believe it intended that the banking agencies do so, indirectly under the guise of an interest regulation. This corporation does not intend to do so, and it hopes that the Board of Governors will not give rise to a situation where two Federal agencies make conflicting decisions to the consternation of the public. In such a situation we consider it singularly appropriate to await precise directions from Congress.

A similar letter is being sent to Senator WAGNER and to Representative DOUGHTON of North Carolina.

Very truly yours,

LEO T. CROWLEY,  
Chairman.

Mr. CROWLEY (continuing). On December 6, 1943, the board of directors of the Federal Deposit Insurance Corporation adopted a ruling which expressed the view that—

"The absorption of exchange charges by an insured nonmember bank in connection with its routine collection for its depositors of checks drawn on other banks cannot be considered a payment of interest, within the terms of the interest regulations of the Federal Deposit Insurance Corporation, in the absence of facts or circumstances establishing that the practice is resorted to as a device for the payment of interest."

I should like to insert that ruling in the record. That ruling merely confirms the position taken by this Corporation in 1935 and 1936 and adhered to consistently ever since.

I should also like to read to this committee a memorandum prepared by our chief counsel, dated November 21, 1943, dealing with this question and which forms the basis of the ruling of the board of directors.

I am sorry Mr. Brown is not here; he is laid up with the flu.

The CHAIRMAN. Without objection, you may insert anything you desire in your testimony.

(The ruling follows:)

"RULING OF THE BOARD OF DIRECTORS OF THE  
FEDERAL DEPOSIT INSURANCE CORPORATION  
ADOPTED DECEMBER 6, 1943

"RE: ABSORPTION OF EXCHANGE CHARGES AS  
PAYMENT OF INTEREST

"The Federal Deposit Insurance Corporation recently has received a number of inquiries from insured banks concerning whether the absorption by insured nonmember banks of exchange charges imposed by other banks on checks deposited by customers for collection or clearance constitutes a payment of interest in violation of the Corporation's interest regulations, Code of Federal Regulations, title 12, part 304 (sec. 304.2).

"The board is of the view that the absorption of exchange charges by an insured nonmember bank in connection with its routine collection for its depositors of checks drawn on other banks cannot be considered a payment of interest, within the terms of the interest regulations of the Federal Deposit Insurance Corporation, in the absence of facts or circumstances establishing that the practice is resorted to as a device for the payment of interest.

"Attached hereto is a copy of the memorandum opinion of the general counsel for the Corporation on this question."

Mr. CROWLEY. Mr. Chairman, I would like to have Mr. Thompson read this memorandum for our general counsel.

The CHAIRMAN. Very well.

Mr. THOMPSON (reading):

NOVEMBER 24, 1943.

#### MEMORANDUM

Question: Does the absorption of an insured bank of exchange charges constitute a payment of interest prohibited by the regulations of the Federal Deposit Insurance Corporation?

The Federal Deposit Insurance Corporation recently has received a number of inquiries from insured banks concerning whether the absorption by insured nonmember banks of exchange charges imposed by other banks on checks deposited by customers for collection or clearance constitutes a payment of interest in violation of the Corporation's interest regulations, Code of Federal Regulations, title 12, part 304 (sec. 304.2).

The renewed inquiries concerning this question appear to be prompted by recent publicity given to a ruling of the Board of Governors of the Federal Reserve System interpreting the provisions of its regulation Q. The interest regulations of the Federal Deposit Insurance Corporation are applicable only to insured banks which are not members of the Federal Reserve System, whereas regulation Q is applicable only to member banks of that System.

The Corporation's interest regulations provide that with certain exceptions not here applicable, "no insured nonmember bank shall directly or indirectly, by any device whatsoever, pay any interest on any demand deposit," and that "any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit shall be considered interest." The question presented is whether the absorption of exchange charges constitutes a "payment to or for the account" of the insured bank's customers and if so, whether such payment is "as compensation for the use of funds constituting a deposit." If both of these questions are answered in the affirmative, the act of absorbing the exchange charge would be a prohibited payment of interest; otherwise, it would not be a violation of the regulation.

The absorption of exchange charges arises out of the collection of checks drawn on out-of-town banks which are not cleared through the Federal Reserve banks and for which the drawee bank makes a charge against the collecting bank. These checks are deposited by the payees or endorsees in other insured banks which forward them for collection to the drawee banks. The latter remit the face amount of these checks less their charges for clearing or honoring the checks. The collecting banks absorb the difference between the face of the checks and the amount remitted, which is the amount of the exchange so deducted. More than 2,100 insured commercial banks not members of the Federal Reserve System do not clear such checks at par and thus are listed by the Federal Reserve banks as nonpar banks. In addition, many other banks, both members and nonmembers of the Federal Reserve System which clear at par through the Federal Reserve banks, make a practice of charging exchange on so-called direct sendings, i. e., items forwarded by correspondent banks directly rather than through the Federal Reserve banks.

It is our opinion that the absorption of exchange charges by an insured nonmember bank in connection with its routine collection for its depositors of checks drawn on other banks cannot be considered a payment of interest within the terms of the interest regulations of the Federal Deposit Insurance Corporation, in the absence of facts or cir-

cumstances establishing that the practice is resorted to as a device for the payment of interest.

The reasons for this opinion are as follows:

(1) The absorption of expenses in connection with handling a depositor's account under the law is not ordinarily a payment to or for the account of the depositor. Banks customarily absorb many expenses in connection with the handling of customers' accounts which the law recognizes to be investments in customer good will. Therefore these are expended for the account of the bank rather than for the account of its depositors, even though the depositors may derive benefit therefrom. Thus for valued customers banks frequently absorb expenses such as telephone and telegraph charges, postage, clerk and teller hire, and the cost of printing check forms.

Most banks have installed schedules of service charges to be levied upon deposit accounts. While numerous differences of detail obtain, the common rule underlying such schedules is that the deposit is worth something to the bank and the bank will absorb costs of handling the account up to the average worth of the account on the basis of an assumed rate of return on an investment of the account.

In most cases, a basic charge is made for any account which is not kept above a certain minimum balance. For such charge, or the maintenance of such minimum balance, a certain number of items, i. e., checks or deposits, are handled. Items in excess of the minimum allowed, if not compensated for by larger balances, are charged for at published or established rates. In a large proportion of the banks which use this measured system of service charges, the larger accounts, or the more active accounts, are also subjected to analysis to determine the cost or profit to the bank of handling such accounts, and the customer is charged accordingly. In many other banks all service charges are based upon account analysis regardless of size of the account. Approximately 70 percent of the clearing houses participating in a survey conducted by the American Bankers Association in 1938 reported use of account analysis in levying service charges upon depositors. (Service Charge Survey, 1938, Bulletin 77, January 1939, American Bankers Association.) Under this latter system, charges are made against the account for all costs incurred by the bank in handling the account and credit is given for the amount which the account earns for the bank. These costs include exchange and collection costs absorbed, bookkeeping and transit costs of handling items deposited or checks or drafts drawn, and charges for miscellaneous services such as collecting notes, handling out-of-town collections, transferring money by wire or otherwise, or providing credit information. So long as the worth of the account to the bank exceeds the cost of performing services, no charge is levied against the customer.

Where exchange charges are absorbed within the framework of schedules of service charges, and the motive is only to establish, maintain, or strengthen customer good will rather than to attract funds for money consideration, such absorption cannot be differentiated from the absorption of other ordinary items of expense, including internal expenses (such as rents, clerk hire, and so forth) connected with handling a customer's account.

(2) Exchange charges are expenses of collecting items drawn against banks which regularly make a practice of imposing such charges and thus are comparable to the costs of maintaining clearing houses, hiring messengers, and other expenses of like character connected with normal check-clearing activities which are customarily absorbed as part of the operating expenses of banks, even



though these charges may enter into computations forming the basis for service charges which when collected constitute operating income of the bank.

(3) The feature of progressive competitive bidding characteristics of interest is lacking in the case of absorption of exchange charges, as the amount of the exchange charge is fixed not by the depository bank but by the nonpar drawee bank and would not vary as between depositories regardless of the bank selected as the collecting medium.

(4) Although the practice of absorbing exchange charges antedated the legislation on which the Corporation's interest regulations are predicated, no suggestion may be found in the legislative record or history of this provision to indicate any purpose on the part of Congress to permit any regulations of the practice of charging exchange in connection with the regulation of interest. Any restriction against absorption of exchange charges would naturally act as a direct deterrent to the imposition of such charges by the many banks which now impose them. In view of the well-known and turbulent history of the par-clearance issue and the absence of a specific congressional mandate, it seems evident that Congress did not authorize the Corporation to hold that the absorption of exchange charges in the ordinary course of business constitutes payment of interest.

This opinion will not apply to cases where the particular circumstances are such as to establish that the practice has been resorted to deliberately as a device for the payment of compensation to a depositor for the use of his funds.

FRANCIS C. BROWN, *General Counsel.*

Mr. KUNKEL. Could I ask Mr. Crowley a question, Mr. Chairman?

The CHAIRMAN. Mr. Kunkel.

Mr. KUNKEL. In the second paragraph of your letter of August 20, 1943, to Mr. Steagall, it says:

"The Board of Governors holds that the absorption of exchange charges by a national bank constitutes a payment of interest."

State banks are involved in this, also, are they not?

Mr. CROWLEY. The member State banks.

Mr. KUNKEL. Just the member State banks?

Mr. CROWLEY. That is right.

Mr. KUNKEL. Members of the F. D. I. C.?

Mr. CROWLEY. No; members of the Federal Reserve.

Mr. KUNKEL. But nonmember State banks would not be involved in this ruling?

Mr. CROWLEY. That is right. They are not subject to the ruling although they are adversely affected by it.

Mr. KUNKEL. Thank you.

The CHAIRMAN. Do you want to conclude your statement without interruption, and then answer any questions, or do you mind being asked questions as you proceed?

Mr. CROWLEY. I would be glad to answer any questions now, and then if we could go on and finish, I think we could perhaps do a better job.

Mr. CRAWFORD. I was going to ask you this question, Mr. Crowley, relating to the last paragraph of Mr. Brown's memorandum, and see if we can tie this up somewhat. I don't know that you can answer this question; but if Mr. Brown were here, I would submit to him this question, as to whether or not his closing language there would cause him to construe the September 1943 bulletin case as one where a practice has been resorted to, deliberately as a device for the payment of interest to the depositor for the use of his funds. The reason I submit the question that way is because I find this statement, that such charges have been absorbed in amounts ranging from 10 cents to \$200, and that in some instances the exchange absorbed for particular banks amounted to as

much as 2 or 3 percent of their balances with such banks.

Mr. CROWLEY. Can you answer that, Mr. Thompson?

Mr. THOMPSON. I am afraid I cannot answer it, because I don't know what Mr. Brown would rule in those circumstances. I think he might want to look into the facts to determine whether or not this variation from 10 cents to something else was a variation determined by the amount of the balance held by the bank, or whether it was determined by the amount of items which went through the bank, on which the exchange was carried.

Mr. CROWLEY. Congressman, I think Mr. Brown will undoubtedly be well enough Monday to answer those questions for you himself.

Mr. CRAWFORD. I thank you.

Mr. THOMPSON (resuming reading of statement):

"The remainder of this statement elaborates upon the difference in interpretation of the law between the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation.

"The Corporation does not have the authority to find that absorption of exchange, per se, is a payment of interest: The provisions of law governing the prohibition and regulation of payment of interest on deposits by the Board of Governors of the Federal Reserve System differ from those governing the prohibition and regulation by the Federal Deposit Insurance Corporation. The act controlling regulation by the Board of Governors of the Federal Reserve System gives that Board by specific grant the authority to determine what shall be deemed to be payment of interest. The provision of law under which the Federal Deposit Insurance Corporation operates is pointedly silent with regard to this matter. We believe, therefore, that we are restricted in our determination to what is in fact recognized to be interest by common practice. The absorption of exchange is a practice which antedates the creation of the Federal Deposit Insurance Corporation, the passage of the Federal Reserve Act, and, in fact, any one present at this hearing. It is a normal, customary practice connected with the routine collection of checks and, historically, has not been looked upon as a payment of interest even though it may be considered an inducement for maintaining balances. Many devices are used and have been used for encouraging or impelling customers to carry larger balances. These devices are not considered to be interest. Among these may be included service charges as discussed in our letter of August 20, 1943, addressed to Mr. Steagall, and in the memorandum of our general counsel of November 24, 1943.

"Scope of Federal Reserve Board's ruling: The ruling of the Board of Governors of the Federal Reserve System is applicable only to member banks. The member banks, however, include practically all of the banks which handle the general clearing of checks for correspondents.

"Irrespective of intent, therefore, the effect of the ruling, regardless of the position of the Federal Deposit Insurance Corporation, will be to enforce practically universal par clearance, so-called. The issue, therefore, raises anew the question of par clearance.

"Par clearance: My reference to par clearance, however, must not be construed as imputing to the Board of Governors that its purpose is to enforce par clearance. I accept the Board's statement in that regard. My position is that, regardless of the Board's purpose, the effect of its ruling is to enforce par clearance. Because of this, I would like to call the committee's attention briefly to the history of par clearance, which I believe can best be done by quoting from the opinion of the United States Supreme Court, written by Justice Brandeis, in the case of *Farmers and*

*Merchants Bank of Monroe, N. C., et al. v. Federal Reserve Bank of Richmond*, reported in volume 262, United States Reports, page 649 (decided June 11, 1923). In this opinion the Court explains what par clearance is, states briefly the legislative history of par clearance, and interprets the pertinent provisions of the Federal Reserve Act and the Board's powers and limitations thereunder.

"This case arose out of a suit brought under a North Carolina statute, which is discussed in the opinion, by the Farmers and Merchants Bank of Monroe, N. C., to enjoin the Federal Reserve Bank of Richmond from dishonoring checks which the Farmers and Merchants Bank paid by exchange drafts on reserve deposits with correspondent banks. Two hundred and seventy-one other banks joined later as plaintiffs. The trial court granted a perpetual injunction against the Reserve bank. The supreme court of the State reversed the decree of the trial court, and the case was appealed to the Supreme Court of the United States. The Supreme Court of the United States sustained the lower court, reversing the action of the supreme court of the State, and held that the North Carolina statute under which the suit was brought did not obstruct the performance of any duty imposed upon the Federal Reserve Board and the Federal Reserve banks, and that the contention that Congress had imposed upon the Federal Reserve Board and banks the duty of establishing universal par clearance and collection of checks was irreconcilable with the specific provision of the Federal Reserve Act, which affirmed the right of banks to make limited charges for clearance and collection of checks, provided such charges are not made against the Federal Reserve banks. The Supreme Court held that Federal Reserve legislation did not impose on the Federal Reserve Board or the Federal Reserve banks a duty to establish in the United States a universal system of par clearance and collection of checks."

"That part of the decision pertinent to this discussion follows:

"Par clearance does not mean that the payee of a check who deposits it with his bank for collection will be credited in his account with the face of the check if it is collected. His bank may, despite par clearance, make a charge to him for its service in collecting the check from the drawee bank. It may make such a charge although both it and the drawee bank are members of the Federal Reserve System; and some third bank which aids in the process of collection may likewise make a charge for the service it renders. Such a collection charge may be made not only to member banks by member banks, National or State, but it may be made to member banks also by the Federal Reserve banks for the services which the latter render. The collection charge is expressly provided for in section 16 of the Federal Reserve Act (38 Stat. 268) which declares that:

"The Federal Reserve Board shall, by rule, fix the charges to be collected by the member banks from its patrons whose checks are cleared through the Federal Reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal Reserve bank."

"Par clearance refers to a wholly different matter. It deals not with charges for collection, but with charges incident to paying. It deals with exchange. Formerly, checks, except where paid at the banking house over the counter, were customarily paid either through a clearing house or by remitting, to the bank in which they had been deposited for collection, a draft on the drawee's deposit in some reserve city. For the service rendered by the drawee bank in so remitting funds available for use at the place of the deposit of the check, it was formerly a common practice to make a small charge, called exchange, and to deduct the amount from the remittance. This charge of the drawee bank the Federal Reserve Board planned to



eliminate and, in so doing, to concentrate in the 12 Federal Reserve banks the clearance of checks and the accumulation of the reserve balances used for that purpose. The Board began by efforts to induce the banks to adopt par clearance voluntarily. The attempt was not successful. The Board then concluded to apply compulsion. Every national bank is necessarily a member of the Federal Reserve System; and every State bank with the requisite qualifications may become such. Over members the Board has large powers, as well as influence. The first step in the campaign of compulsion was taken in the summer of 1916, when the Board issued a regulation requiring every drawee bank which is a member of the Federal Reserve System to pay without deduction, all checks upon it presented through the mail by the Federal Reserve bank of the district. The operation of this requirement was at first limited in scope by the fact that the original act (sec. 13) authorized the Reserve banks to collect only those checks which were drawn on member banks, and which were deposited by a member bank or another Reserve bank or the United States. Few of the many State banks had then elected to become members. In September 1916, section 13 was amended so as to authorize a Reserve bank to receive for collection from any member (including other Reserve banks) also checks drawn upon nonmember banks within its district. Thereby, the Federal Reserve Board was enabled to extend par clearance to a large proportion of all checks issued in the United States. But the regulation (J) then issued expressly provided that the Federal Reserve banks would receive from member banks, at par, only checks on those of the nonmember banks whose checks could be collected by the Federal Reserve bank at par. It was recognized that nonmembers were left free to refuse assent to par clearance. By December 15, 1916, only 37 of the State banks within the United States, numbering about 20,000, had become members of the System; and only 8,065 of the State banks had assented to par clearance.

"Reserve banks could not, under the then law, make collections for nonmembers. It was believed that if Congress would grant Federal Reserve banks permission to make collections also for nonmembers, the Board could offer to all banks inducements adequate to secure their consent to par clearance. A further amendment to § 13 was thereupon secured by act of June 21, 1917, c. 32 § 4, 40 Stat. 232, 234, which provided, among other things, that Federal Reserve banks:

"Solely for the purposes of exchange or of collection, may receive from any nonmember bank \* \* \* deposits of \* \* \* checks \* \* \* payable upon presentation \* \* \*: *Provided*, Such nonmember bank \* \* \* maintains with the Federal Reserve bank of its district a balance sufficient to offset the items in transit held for its account by the Federal Reserve bank."

"To this provision, which embodied the legislation proposed by the Federal Reserve Board, there was added, while in the Senate, another proviso, relating to the exchange charge, now known in a modified form as the Hardwick amendment, which declares:

"That nothing in this or any other section of this act shall be construed as prohibiting a member or nonmember bank from making reasonable charges, to be determined and regulated by the Federal Reserve Board, but in no case to exceed 10 cents per \$100 or fraction thereof, based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise; but no such charges shall be made against the Federal Reserve banks."

"Thus a Federal Reserve bank was authorized to receive for collection checks from nonmembers who maintained with it the prescribed balance; and strenuous efforts were

then made to induce all State banks to so arrange. But the law did not compel State banks to do this. Many refused; and they continued to insist on making exchange charges. On March 21, 1918, the Attorney General (31 Ops. Atty. Gen. 245, 251), advised the President:

"The Federal Reserve Act, however, does not command or compel these State banks to forgo any right they may have under the State laws to make charges in connection with the payment of checks drawn upon them. The act merely offers the clearing and collection facilities of the Federal Reserve banks upon specified conditions. If the State banks refuse to comply with the conditions by insisting upon making charges against the Federal Reserve banks the result will simply be, so far as the Federal Reserve Act is concerned, that since the Federal Reserve banks cannot pay these charges, they cannot clear or collect checks on banks demanding such payment from them."

"The Federal Reserve Board and the Federal Reserve banks were thus advised that they were prohibited from paying an exchange charge to any bank. But they believed that it was their duty to accept for collection any check on any bank; and that Congress had imposed upon them the duty of making par clearance and collection of checks universal in the United States. So they undertook to bring about acquiescence of the remaining State banks to the system of par clearance. Some of the nonassenting State banks made stubborn resistance. To overcome it the Reserve banks held themselves out as prepared to collect at par also checks on the State banks which did not assent to par clearance. This they did by publishing a list of all banks from whom they undertook to collect at par, regardless of whether such banks had agreed to remit at par or not. This resulted in drawing to the Federal Reserve banks for collection the large volume of checks which theretofore had come to the drawee bank by mail from many sources and which had been paid by remittances drawn on the bank's balance in some Reserve city. If a State bank persisted in refusal to remit at par, the Reserve banks caused these checks to be presented, at the drawee bank, for payment in cash over the counter. The practice adopted by the Reserve banks would, if pursued, necessarily subject country banks to serious loss of income. It would deprive them of their income from exchange charges; and it would reduce their income-producing assets by compelling them to keep in their vaults in cash a much larger part of their resources than theretofore. That such loss must result was admitted. That it might render the banks insolvent was clear. But the Federal Reserve banks insisted that no alternative was left open to them, since they had to collect the checks and were forbidden to pay exchange charges. The State banks denied that the Federal Reserve banks were obliged to accept these checks for collection; and insisted that Federal Reserve banks should refrain from accepting for collection checks on banks which did not assent to par clearance.

"It was to protect its State banks from this threatened loss, which might disable them, that the Legislature of North Carolina enacted the statute here in question. It made no attempt to compel the Federal Reserve bank to pay an exchange charge. It made no attempt to compel a depositor to accept something other than cash in payment of a check drawn by him. It merely provided that, unless the drawer indicated by a notation on the face of the check that he required payment in cash, the drawee bank was at liberty to pay the check by exchange drawn on its reserve deposits. Thus, the statute merely sought to remove (when the drawer acquiesced) the absolute requirement of the common law that a check pre-

sented at the bank's counter must be paid in cash. It gave the drawee bank the option to pay by exchange only in certain cases; namely, when the check was "presented by or through any Federal Reserve bank, post office, or express company, or any respective agents thereof." The option was so limited, because the only purpose of the statute was to relieve State banks from the "pressure which, by reason of the common-law requirement, Federal Reserve banks were in a position to exert and thus compel submission to par clearance. It was expected that depositors would cooperate with their banks and refrain from making the prescribed notation; and that when the Reserve banks were no longer in a position to exert pressure by demanding payment in cash, they would cease to solicit, or to receive, for collection, checks on nonassenting State banks. Thus, these would be enabled to earn exchange charges as theretofore. Such was the occasion for the statute and its purpose."

"As stated, the Court found against the Federal Reserve bank.

"*Prohibition of payment of interest on demand deposits.*—There, in essence, the matter of par clearance stood at the time of passage of the Banking Act of 1933 with its prohibition against the payment of interest 'directly or indirectly by any device whatsoever' on any deposit payable on demand. In the Federal Reserve Bulletin for June 1934, page 394, the Federal Reserve Board published a ruling or statement of principles which, among other things, stated that—

"(1) The absorption of exchange or collection charges in amounts which vary with or bear a substantially direct relation to the amount of a depositor's balance amounts to an indirect payment of interest in violation of section 19 of the Federal Reserve Act, if the deposit is payable on demand.

"(2) The absorption or payment of such charges in amounts which do not vary with or bear a substantially direct relation to the amount of the depositor's balance is not prohibited by law."

"This ruling or statement of principles was reaffirmed in the Federal Reserve Bulletin for December 1934, page 814, and was in effect at the time of passage of the Banking Act of 1935 which, among other things, amended section 19 to authorize the Board of Governors of the Federal Reserve System, for the purposes of that section, to determine 'what shall be deemed to be payment of interest.'

"*Conclusion.*—To summarize, the Banking Act of 1933 provides, in part, that 'no member bank shall, directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand \* \* \*.' Subsequent thereto, the Federal Reserve Board published a ruling, Federal Reserve Bulletin, June 1934, which, among other things, stated that the absorption or payment of exchange or collection charges in amounts which did not vary with or bear a substantial relation to the amount of the depositor's balance was not within the prohibition of the act. This ruling was in effect at the time of the enactment of the Banking Act of 1935 which authorized the Board of Governors, for the purpose of section 19, to determine 'what shall be deemed to be payment of interest.'

"The present position of the Board of Governors appears to be that the absorption of exchange or collection charges are prohibited by the act whether or not they vary with or bear a substantially direct relation to the depositor's balance. I am unable to reconcile the Board's present position with its former ruling because, if the absorption of such charges did not constitute a direct or indirect payment of the interest under the Banking Act of 1933, then it does not constitute a direct or indirect payment of interest under the Banking Act of 1935 since the law was not changed in that respect. The 1935 act merely authorizes the



Board to determine what constitutes a payment of interest. The Board, however, insofar as the absorption of exchange was concerned, had already made its interpretation of the law in that regard. Of this Congress had knowledge. With such knowledge on the part of Congress, I am unable to agree with the contention of the Board of Governors that the authority placed in it by the 1935 act compelled it to change its ruling. On the contrary, it would appear that, in the absence of express direction so to do, Congress considered the 1934 ruling to be in accord with the law. In other words, if the Board's 1934 ruling is a correct interpretation of the law, the absorption of such charges is not prohibited by law. Any present prohibition, therefore, must be ascribed to a change in the interpretation made by the Federal Reserve Board rather than to a mandate from Congress.

"While I cannot presume to tell this committee what Congress intended, it seems to me that if Congress had intended the Federal Reserve Board to change that ruling, it would have so directed in unmistakable terms, particularly in view of the past history of the par-clearance controversy. We have noted that past efforts to enforce par clearance have been checked by legislators, by specific action of Congress, and by the United States Supreme Court.

"While the ruling under discussion appears on its face to be a matter of concern to the Federal Reserve Board, it is also of concern to the Federal Deposit Insurance Corporation, because the recent ruling of the Board will affect adversely the insured nonmember banks by upsetting a long-established banking practice, by dislocating normal, established bank-depositor relationships, and by depriving the banks of an important source of revenue which it is clear Congress did not intend the regulatory agencies to do. I am, therefore, of the opinion that the Board's position that it is now compelled to make such a ruling is untenable."

The CHAIRMAN. Is that the conclusion of your statement?

Mr. CROWLEY. Yes, sir. Mr. Brown will be available Monday morning, Mr. Chairman, if you would like to talk over this question with him. Mr. Crawford said he would like to talk to him.

The CHAIRMAN. Are there any questions, gentlemen?

Mr. CRAWFORD. Yes, Mr. Chairman.

Mr. BROWN. Could I ask one question, Mr. Crawford?

Mr. CRAWFORD. Yes, go ahead.

Mr. BROWN. Mr. Crowley, do you see any reason why the Federal Reserve Board cannot postpone action or defer enforcement of this regulation Q for 60 days or 90 days?

Mr. CROWLEY. Of course, that is their business, but I do not see where the thing is any more acute now than it was 6 months ago or 2 years ago.

Mr. CRAWFORD. Mr. Crowley, on the basis of your statement, especially the concluding paragraph on page 24, I would like to ask you this question: If their position is untenable, why would you take the position they could defer for 60 days or 90 days then to put it into operation?

Mr. CROWLEY. What I meant by that was that it has been on the books for almost 10 years, and it has not been enforced in the last 10 years, and I do not think any delay, until this committee has a chance to study conditions further or the Senate committee has had a chance to look at it, does any particular damage. That is what I meant.

Mr. CRAWFORD. The only damage it would do, in my mind, is if I were running a bank, and if they deferred it, I would, for all practical purposes, simply assume that I had a legal right to proceed to do as I pleased.

Mr. CROWLEY. If they had that legal right, why did they wait 10 years?

Mr. CRAWFORD. Let us go back to the effort before the 1935 act, and the effort that was made in 1935 and in 1937, and the great difficulty that arose as between the F. D. I. C., the Comptroller of the Currency, the Federal Reserve Board, and the State examining authorities which led to what I think was a rather substantial agreement as between the supervising agencies as to how these examinations should be conducted, and all in the light of the trials and tribulations we have gone through since 1933 and in reconstructing the banking activities of this country together with the financing of this war and the load that has fallen on the banks incidental thereto, it is impossible for me to think in terms of this regulation as being deferred up to this date or of being deferred without taking all of those banking laws into consideration. When you say why have we deferred thus far there immediately pops up into my mind all of these things which have gone on before, and all of which have more or less a deferring proposition in an effort to accommodate the banking industry to these fantastic changes which have occurred.

Mr. BROWN. Now, Mr. Crawford—

Mr. CRAWFORD. Just a minute; let him answer.

Mr. CROWLEY. Our contention is this: I only said deferring putting it into force until this committee could thoroughly understand this thing. It is our contention that the Federal Reserve Board do not have the authority to do this, and, furthermore, it is our contention that if they had the authority they have been 10 years dilly-dallying around to get this thing into force; and now, all of a sudden, they come in here with it, and certainly, insofar as I can see, even in the banking crisis of 1933, they could not have picked a more inopportune time to dislocate things than right now, with the war going on. Then there is another thing; I think that we ought to put our minds on something more important than whether some poor little banks are having some \$8,000,000 or \$10,000,000 of their costs absorbed by some bigger banks that they do business with. I think the importance of the whole thing is all out of proportion to the situation that exists throughout the world today, Congressman.

Mr. CRAWFORD. We would have to somewhat cross-fire on that for this reason, if you do not mind, Mr. Crowley.

Mr. CROWLEY. No; not at all.

Mr. CRAWFORD. You are charged with the administration of the F. D. I. C., and as Mr. Brown pointed out, you operate under one law which, as I understand, does not give you the authority to issue rules and regulations as to definitions of the terminology in the Federal Reserve Act. I believe I am correct in that, and Congress did give the Board authority to define what, in the Board's mind, constitutes the payment of interest under the terms of the law. Is that right?

Mr. CROWLEY. That is right.

Mr. THOMPSON. May I make an observation on that question, Mr. Crawford?

Mr. CRAWFORD. Yes.

Mr. THOMPSON. I realize that I am not a lawyer.

Mr. CRAWFORD. Neither am I.

Mr. THOMPSON. But the lawyers tell me that any legislative delegation must be accompanied by standards or limitations in the use of that delegated authority in order to be constitutional. Now, referring to the delegation of authority to the Federal Reserve to define interest, in that delegation it contains no statement of principle or of limitation of authority. Therefore, it seems to me that we have to look to the substantive body of the law out of which that delegation stems. The only specific language in the Federal Reserve Act that deals with the interpretation that the Board has put on it is

in the Harding amendment, which says that—

"Nothing in this or any other section of this act shall be construed as prohibiting a member or nonmember bank from making reasonable charges \* \* \* for collection or payment of checks or drafts and remission therefor by exchange or otherwise."

That is the only specific language to be found in the Federal Reserve Act dealing with this question of exchange.

Mr. CRAWFORD. Let me understand you correctly. Is that exact language which you have just quoted in the act or in the opinion of a court?

Mr. THOMPSON. It is the existing Federal Reserve Act.

Mr. CRAWFORD. What section is that?

Mr. THOMPSON. It is in section 13 of the Federal Reserve Act, and in the Federal Reserve Board's printing of their act it is found on pages 82 and 83.

Mr. CRAWFORD. Will you read that language again, please, off the record?

(Discussion off the record.)

Mr. CRAWFORD. I do not think there is any language in that that prohibits the Federal Reserve Board from issuing regulation Q and setting up the designation of interest.

Mr. THOMPSON. The Federal Reserve said, and quite properly, that they are not prohibiting making charges, but the effect of the rule is to prohibit banks from absorbing them, so that the net effect of it is to discriminate against and to do away with a practice which the law specifically says nothing in the act shall be construed as forbidding the banks to do, because we all recognize that the effect of refusing to permit banks to absorb the exchange will result in the elimination of the charge and exchange.

Mr. CRAWFORD. I think I can understand why the attorneys of the F. D. I. C. and Mr. Crowley, in behalf of the F. D. I. C., take the position that they have taken. I do not criticize them for that, but when we step over into the language of the Federal Reserve Act I can also understand why the Board would proceed as it has proceeded up to date and as it is now about to proceed until Congress comes in and says what Congress means, or until somebody takes a case to the courts. In other words, it is just impossible for me to comprehend how the Federal Reserve Board, in the light of what has gone before, can take any other position, especially as we look ahead incidental to the load that is going to be put on the banks and the administrators of both the F. D. I. C. and the Federal Reserve Act and incidental to the finishing up of this job of financing the war and moving back into peacetime commercial zones of activity. I do not mind saying very frankly that bringing this question up at the present time, insignificant as it might be to Mr. Crowley, to me it is a proposition of looking forward to the difficult days ahead of us.

Mr. CROWLEY. I do not think it has anything to do with the difficult days ahead.

Mr. CRAWFORD. That is where we disagree.

Mr. BROWN. You know there are two sides to this very important question.

Mr. CRAWFORD. There is no question about that.

Mr. BROWN. We may be in doubt about it now, and I think we ought to have time to go ahead and see whether we want to pass any further legislation clearing up this matter as people differ about it. It is so important that we ought to have a little time to see whether Congress should pass any further legislation.

Mr. CRAWFORD. As far as I am concerned, I do not feel that Congress is behind the eight ball on this proposition.

Mr. MONROE. Do you not think we owe a duty to the public not to let one agency of the Government write legislation that Congress has specifically prohibited in section 13 of the Federal Reserve Act?



The CHAIRMAN. Mr. Crowley, there seems to be a very substantial difference of opinion here between two agencies of the Government, on the construction of the law. I have never been in favor of Congress usurping judicial functions. I do not think the Congress has a right to interpret an act of a former Congress. That is essentially a judicial function. This is a public question, and it is a question of great interest to a great many people. I wonder if a case could not be presented to the courts and advanced on the calendar, because it is a public question, and decided expeditiously.

Mr. CROWLEY. I am not a lawyer; I do not know about that, Mr. Chairman.

The CHAIRMAN. It seems to me that the only agency of Government that could decide a difference of opinion between two other agencies as to the construction of the law is the judiciary. That is what the judiciary was created for.

Mr. CROWLEY. I cannot agree with Congressman CRAWFORD that this is of any importance to the war effort or to the post-war financing or anything else.

The CHAIRMAN. How much is involved in this, Mr. Crowley?

Mr. THOMPSON. I believe Governor Ransom said something around \$8,000,000. We would not quarrel with that. We have not estimated it, and we certainly would not question his estimate, because we have a pretty good idea of what his basis is, and he himself said that he was going away out on a limb. It is anybody's guess.

The CHAIRMAN. How many State banks clear checks for correspondents?

Mr. THOMPSON. I would not know that.

The CHAIRMAN. This would not affect non-member State banks?

Mr. CROWLEY. Very few of them because most of your large State banks belong to the Federal Reserve System.

The CHAIRMAN. Do none of them clear checks?

Mr. CROWLEY. Very few nonmember banks clear checks, I think.

Here is the way we feel about this: First, I have never been in sympathy with their interpretation, and they are, frankly, not in sympathy with a lot of mine. I think this materially affects the existence of a lot of little banks. I think it is unfortunate that this has to come up at this time. The last time it was up the Congress and this committee and many other Members of Congress, including the President, asked the Federal Reserve to defer action, and my understanding was the Federal Reserve did agree to defer it until this committee could be put on notice.

Now, they come along and sent out a letter and they say on a certain day they are going to enforce this act, or words to that effect.

Now, if absorption of exchange has been unimportant for 10 years past certainly it is just as unimportant now as it was 10 years ago, and I cannot help but believe that as far as the effect on the whole banking system is concerned, it does not amount to anything, but it does have an effect on 2,100 of these little banks.

Secondly, I think down in my heart it is an indirect way of forcing par clearance, and if they want to enforce the question of par clearance why do they not bring it up and let us have a law on it and meet the thing head-on in place of some indirect method?

Mr. BROWN. Mr. Crowley, I do not agree with the chairman, if I understand him. If we are going to wait 2 or 3 years on the Supreme Court to determine if the interpretation of the Federal Reserve Board is correct, I think we ought to have legislation on it or repeal it, and not wait on the Supreme Court.

Mr. CROWLEY. That is right.

Mr. HULL. According to the testimony I have heard here the country boys have been getting away with about \$8,000,000 a year that belongs to the big fellows. The respon-

sibility was there for 10 years and the Federal Reserve Board did not act. If we are going to sanction this why not go the whole way on it and collect back all exchanges that have been paid over?

Mr. CRAWFORD. I think you make a very fine argument there toward having the Federal Reserve Board act so as to escape that.

Mr. HULL. If the little fellows have been taking it away from the big fellows, why should not the little fellows be made to disgorge what they have received and even it up? Otherwise why start in now after 10 years.

Mr. CRAWFORD. Mr. Crowley pointed out here very specifically that the Board has been, we will say, somewhat influenced by the request of the President, by requests of many Members of Congress, by requests from chairmen of the committees, and by requests of the bankers, so that I would say that there was the pressure of public opinion as well as financial opinion on the Board. If the Board wants to take the responsibility, certainly they do not need to worry about their burdens. They can carry their own burdens. If I think a very strong law on the books as far reaching as this is not going to be enforced, I think I am going to criticize the Board of Governors if they do not do something about it.

Mr. TALLE. It is proposed in the tax bill, which is now under consideration, that the postal rates on money orders be increased. Do you look for the exchange rates in the banking system to be increased correspondingly?

Mr. THOMPSON. I presume what you mean is the exchange rates.

Mr. TALLE. That is right.

Mr. THOMPSON. Well, speaking personally, I have not given any consideration to it; I do not know. My offhand guess would be "No." I will say that, perhaps, some of the banks would undertake to charge perhaps what the traffic would bear, but I do not know whether they would change or not.

Mr. TALLE. If we opened up the term "interest" to the possible definitions which have not been considered before, would service charges exacted by banks against their customers be considered negative interest?

Mr. THOMPSON. I think that is our position. I might interpolate at that point that the banks used to be required to report on their earnings statements the interest paid on demand balances, and they would differentiate between bankers' balances and others, and so far as I know from the instructions to the banks in reporting that item they were never instructed to include exchange absorbed as part of the interest item which they reported on their earnings statements.

Mr. TALLE. Does your agency make any distinction between interest and discount?

Mr. THOMPSON. No.

The CHAIRMAN. Mr. Crowley, some of my colleagues seemed to misconstrue what I said a while ago. I said that this matter ought to be referred to the courts. As it is a public question and as there is a difference of opinion on the interpretation of the law between departments, I think the matter ought to remain in status quo until the courts decide it. That was my suggestion, that no action be taken until the courts act and legally decide a question that the departments are not competent to decide.

If there are no further questions, we will adjourn until Monday morning. If Congress adjourns and the legislative program is finished, I do not know whether we can meet then, but we will adjourn now to meet Monday morning at 10 o'clock.

Mr. RANSOM. Mr. Chairman, will I get a chance to answer some of the legal arguments that have been presented here?

The CHAIRMAN. You will have that opportunity.

(Thereupon, at 12:50 p. m., the committee adjourned to meet Monday, December 20, 1943, at 10 o'clock.)

(Monday, December 20, 1943)

Mr. CROWLEY. Might I say this: As I said the other day, I just do not understand this squeeze play that comes along here in the last 2 weeks before Congress adjourns. This law has been on the books for years and years and years, and there has been no emergency about it, and within a week or 10 days after the late chairman of the committee died, who was also chairman of the committee the last time the Federal Reserve Board was asked to defer it, and he is no longer here and the new chairman has just been elected, now they come along here and say it will take positive legislation to maintain existing practices. It is humanly impossible to get positive legislation before January 1 and it seems to me we would like to discuss this matter with the Banking and Currency Committee of the Senate before this ruling goes into effect, and since it has been delayed all this time we would like to request that this be held up until after the holidays—until we can get an opportunity to present our views to the Senate, if this committee does not want to do anything positive.

The CHAIRMAN. What action would you suggest?

Mr. CROWLEY. I think this committee here should at least request the Federal Reserve to defer it for another 30 or 60 days—they have deferred it now for several years—as long as it is coming to a head now to get some definite legislation drawn.

Mr. PATMAN. Mr. Crowley, I want to ask you a question about this interest. I can see a big difference in the way these banks handle the situation. Now, there would be no need for additional legislation with respect to this law, or the postponement of its enforcement, if these banks now engaged in this will remove the restrictions of requiring a certain balance to take care of a certain amount of exchange. Would not that be pretty easy for them to handle?

Mr. CROWLEY. I do not think there is any understanding as to the balance, Congressman.

Mr. PATMAN. I say if that should be done.

Mr. CROWLEY. I think it is kind of a mutual arrangement, but I do not think there is any definite understanding as to the balance, in dollars and cents.

Mr. FORD. Can they do it even then, the way the law reads?

Mr. PATMAN. I do not know whether they can or not. You see, the way it is, it looks like it is an interest payment to me in the form of what might be called a secret-rebate in trade practices, where they require them to carry a certain amount of deposit in order for the correspondent bank to pay a certain amount of exchange charges. That looks like a definite sum in the form of compensation for a definite purpose. For that reason, it looks to me like that could be construed and would be construed as a device to evade the law against the payment of interest. And if these banks, instead of having any postponement or any change in the law, would just say "Hereafter we are having no understanding with people who do business with us that we are going to pay their exchange," and if they will do that, no law is violated. But do not you agree, Mr. Crowley, that it looks like a device if they require a certain balance in order for the correspondent bank to pay a certain amount of exchange for the local bank? Does not that look like a device to get around the law to you, Mr. Crowley?

Mr. CROWLEY. Let me say this to you: As far as we are concerned, we have an interest in these insured banks and, if this committee will not ask that this be deferred, I am disposed to ask the Attorney General of the United States to give us an opinion on it; because we feel, being the insurer of these banks, it is going to put many, many of them out of business.

Mr. PATMAN. That is all right, I think you should do it.



Mr. CROWLEY. Secondly, when it gets to positive legislation, we are going to raise the question of service charges where, in the depositors' accounts, credits are given for maintaining certain balances in that they are not charged service charges. So that we are not going to let this just happen through this device to the little bank without going into the whole question of service charges.

Mr. PATMAN. That is right; I think you should. And as I have brought out here before, the same law applies to the local bank in its dealings with local deposits as applies to the correspondent bank in its dealings with the local bank. The same provision exactly prevails.

You know, when that was put in there it was put in there by the Senate committee, and our conferees yielded. At that time I think the F. D. I. C. was considered the paramount question, and the other questions were subordinated. But, Mr. Crowley, if you will, please, answer me this one question: Do not you think where a correspondent bank requires the local bank to keep a certain deposit in order for that local bank to have the exchange charge absorbed up to a certain definite amount—do not you think that is interest; do not you think that is a device to evade the law?

Mr. CROWLEY. Let me say I would go with you on that, provided you will go just a little further and apply that to service charge allowances on the customers' balances, too.

Mr. PATMAN. I will go with you; I will do that, but why—

Mr. CROWLEY. But do not get me separated on this service-charge thing and this exchange.

Mr. PATMAN. But I asked you something else; I asked you a positive question, and I hope you will answer it without reference to the other. I agree with you on that; there is no difference of opinion between us on that, but I hope you will just answer this one question. Suppose, now, the Memphis bank tells the Texarkana bank "Now, we will absorb charges of a thousand dollars a month for you if you will carry a deposit in a certain amount in our bank. If you do not carry but half that deposit, we will only absorb \$500, but we will absorb charges in direct relation or in direct proportion to the deposit carried." Do not you consider that a device to get around the payment of interest?

Mr. CROWLEY. In the first place, I do not think that matter of paying exchange has anything to do with balances.

Mr. PATMAN. You mean in their agreements with the banks?

Mr. CROWLEY. Yes.

Mr. PATMAN. You are not answering my question, Mr. Crowley. I am talking about a case where it can be shown there is such an agreement.

Mr. CROWLEY. Let me say this: The Federal Deposit will go with the Federal Reserve on a regulation which will include a provision that, in the matter of exchange, exchange can be absorbed provided there is no understanding as to balances, providing in that same regulation they deal with customers' balances as well.

Mr. PATMAN. But, Mr. Crowley, you have not answered my question. I think it is a very simple one. Do not you think that would be a violation of law, if it could be shown the bank was doing what I said?

Mr. FOLGER. Mr. Chairman—

Mr. PATMAN. Wait a minute. I hope the gentleman [Mr. FOLGER] won't interfere.

Mr. CROWLEY. I am not so sure it is.

Mr. PATMAN. You are not so sure it is?

Mr. CROWLEY. No, sir.

Mr. PATMAN. In other words, suppose, then, that the Memphis bank says "If you will carry a deposit of a certain amount in our bank here in Memphis, Tenn., we will pay any bills you have"—not necessarily exchange, but electric light, water, telephone,

or any other kind of a bill—up to \$1,000 a month, if you will carry a deposit of a certain amount in our bank, would not that be a violation of the law?

Mr. CROWLEY. Well, I presume if you carried it to that extent; yes.

Mr. PATMAN. It would be?

Mr. CROWLEY. Yes.

Mr. PATMAN. Now, what is the difference—

Mr. CROWLEY. But wait just a minute. Really all service charges have gone on the theory that there are certain out-of-pocket expenses that we permit them to pay.

Mr. PATMAN. I do not think there is any dispute about that here; I have not heard any. It is only where they are paying a dollar on a thousand-dollar draft or something like that, where it is certain.

Mr. CROWLEY. That is what I am getting at—the only fellow you want to apply it to is the little bank; you do not want to apply it to the big accounts; you want to apply it to the little bank and stop right there. You do not want to apply it to Sears, Roebuck, and Montgomery Ward, and concerns like that.

Mr. PATMAN. I do. There is no difference between us on that, Mr. Crowley. I say the same law should apply to both; there is no difference of opinion between us on that point. But why bring up the one in answer to the other? What is the difference in this Memphis bank paying a \$1,000 electricity bill for this Texarkana bank, if the Texarkana bank will carry a certain deposit in the Memphis bank, and will only pay \$500 electricity bill if the deposit is just half that much? What is the difference in that and the Memphis bank paying Tom, Dick, and Harry's exchange?

Mr. CROWLEY. Let me ask you this question now: It is my understanding it is your theory if I do not have an agreement with the bank about these balances—

Mr. PATMAN. That is right.

Mr. CROWLEY. That I can absorb these charges without any violation of law?

Mr. PATMAN. Yes; because it would not be a device to get around the payment of interest. And the same way with Sears, Roebuck, Montgomery Ward, or Leo Crowley, if you were doing business with the bank and had no agreement with them.

Mr. CROWLEY. Just as a matter of expediency, I would go along with you on that thing; but it would not be my way of meeting a piece of legislation, for this reason: There is no doubt in my mind but what the banks would continue to do this thing, just as they are doing now, and you would have to prove there was an agreement between them. I do not believe there are very many agreements like that between banks.

Mr. PATMAN. I am talking, Mr. Crowley, about where there is an agreement. Suppose it was shown that the Memphis bank and the Texarkana bank had entered into an agreement in writing—let us make it as plain and as positive as it can be made—"That the Memphis bank, party of the first part, hereby agrees if the party of the second part will keep on deposit in our bank a certain amount, the first party will pay for the second party up to a certain amount each month and, if the deposit is half that much, the amount paid by the Memphis bank to the Texarkana bank will be half that much;" suppose it could be shown positively in writing, and no question about it, would you say that was a device to get around this law?

Mr. CROWLEY. You mean that the Federal Reserve would change the regulation to cover that point?

Mr. PATMAN. What is that?

Mr. CROWLEY. That the Federal Reserve would change their regulation to cover that point?

Mr. PATMAN. I do not know; you know more about that than I do. But I am just asking you the question, Mr. Crowley, and if you will answer it, I will appreciate it.

Mr. CROWLEY. First, I personally do not feel that the absorption of these exchange charges has anything to do with that regulation at all.

Mr. PATMAN. Well, Mr. Crowley, if you will, please answer that question. That is plain. I am telling you here is a hypothetical case where there are no ifs, ands, and buts about it. They have made a positive, plain agreement in which the correspondent bank will pay for the local bank a certain amount each month if the deposit is a certain amount, according to their standards and, if the deposit is just half that, the payment for the local bank will only be one-half that—where there is no doubt about it; it is plain, and the parties agree to it and there is no dispute? Would you say that was a violation of the law?

Mr. CROWLEY. Well, I presume your Memphis bank illustration would be. Certainly it would be in the spirit of the law.

Mr. PATMAN. That is right. And what would be your judgment if you were head of the Federal Reserve Board? What would you do?

Mr. CROWLEY. If I were head of the Federal Reserve Board, first, if I had any doubts in my mind, I would get my law changed.

Mr. PATMAN. You would get the law changed?

Mr. CROWLEY. I would get it defined. Here is what happens—

Mr. BROWN. As I understand, Mr. Crowley, you are complaining about the regulation, not the law?

Mr. CROWLEY. Here is what I see happening to the little country bank, and it has all been done under the guise of reform to help the little fellow, and, as far as I can see every one of these things only got the little fellow a little poorer. They first take all interest away from him on his balances that he could collect from his correspondent bank.

Mr. PATMAN. But did not the banks ask for that?

Mr. CROWLEY. You know how much voice the small bank has in anything he asks for, don't you?

Mr. PATMAN. Now you are talking to a person who is in sympathy with the small bank and the small man.

Mr. CROWLEY. But let me finish on what is happening to the small banks. They lost all interest on their balances.

Mr. PATMAN. And saved some money that way, too, did they not?

Mr. CROWLEY. They saved some money that they did not have to pay out. Under the present theory of licensing and chartering banks, we have gotten so conservative for fear the country will get overbanked, we have regulated them so that there is no competition left in the banking business any more and they are not running their own shops at all; they are being run by regulations. And I think a lot of legislation that we passed in 1933 and 1935 was perfectly good legislation then; it took care of a situation that existed, that it was necessary to correct, but it might be a good thing to take a look at this law now and see whether it ought not to be modified a little bit.

Mr. PATMAN. I am in sympathy with your statement there. I think we ought to take a look at all of these laws we passed in the emergency.

Mr. CROWLEY. I do not think just because it was passed in 1933 and 1935 there is anything sacrilegious in going back and taking a look at it.

Mr. PATMAN. But on the first thing you brought up there, which I think is the main point about small banks, I looked into this thing too, at one time, about interest payments. In fact, I did not want that provision in the law; I felt like it just did not belong there and I opposed it. But I was not on the conference committee at that time and, of course, we had to vote the thing up or vote it down at that time, as the



F. D. I. C. was in there, is my recollection, and we wanted the F. D. I. C. But I think if you will take a look at the amount the banks saved in proportion to the amount they were being paid by their correspondents, you will see they are saving several times as much.

Mr. CROWLEY. But, wait a minute, the correspondent banks held the little banks' balances and paid them no interest on their deposits; so they saved more than any little bank saved, because they don't pay anything to the little bank.

Mr. PATMAN. I do not know how to distinguish between them, as you do, but I know at the time I got Mr. O'Connor, Comptroller of the Currency, to make an estimate for me, and he estimated the banks were saving \$250,000,000 a year by that one provision which made it unlawful for them to pay interest on demand deposits. Now, I cannot conceive of their being out that much; I cannot conceive of the correspondent banks paying them more than that for the deposits they would carry?

Mr. CROWLEY. Oh, no, no, no.

Mr. PATMAN. And certainly that amount was several times as much, was it not Mr. Crowley?

Mr. CROWLEY. Yes; sure.

Mr. PATMAN. Now, on time deposits, there was an estimate made at the same time as to how much the banks saved by that one provision, and it ran up into big figures—\$100,000,000, or something like that. So the banks wanted this thing, Mr. Crowley.

Mr. CROWLEY. There is not any doubt but in the payment of interest on balances and the regulation of interest on savings accounts, they save the banking system of lot of money; but the big bank and the little bank, both, got the benefit of that; that was not anything just for the little bank.

Mr. PATMAN. That is right.

Mr. CROWLEY. Now, the little bank lost the interest on its balances and the only thing the little banks are getting now is this eight or ten million dollars of exchange charges. That is the only thing the little banks have been able to get out of this thing. And when I first came down here, back in 1932, the objection I had to Federal deposit insurance was that, just as soon as deposit insurance got squared around and got to operating immediately they would start to nationalize the whole banking system. And for 10 years, now, every time I have come before this committee, I have reiterated to this committee that the understanding we had with the State banking system of this country was that States' rights would be preserved. Par clearance thing goes right straight back to the State bank practices for 25 years, and this ruling here, in my opinion, is not meeting the thing square on in regard to exchange charges, service charges, or anything else. It is just like putting a brick in a bag and hitting the guy over the head with it when he turns around the corner, when he cannot defend himself. That is what you are going to do to these 2,500 to 3,000 little banks. Then, after you get them out of the picture, people will come along and say, "Now, boys, you have to have a branch bank law, because these communities have to have a bank," and the pay-off is going to be to the big boys. And the next move will be to say they have to have reserve balances in the reserve centers, and the next thing—

Mr. PATMAN. There is no use in your presenting that argument. I think every member of this committee is in accord with your view on that; we want to protect the small banks, too. But if you were head of the Federal Reserve Board yourself, Mr. Crowley, you would enforce this law?

Mr. CROWLEY. No, I would not enforce this law; I would come to Congress and tell them what the problem was and ask them to clarify the law.

Mr. PATMAN. If you were writing the change in this law would you accept lan-

guage that would permit a bank to do what I said awhile ago in the hypothetical case?

Mr. CROWLEY. I think I would go along with you on that change.

Mr. PATMAN. You would?

Mr. CROWLEY. Yes.

Mr. PATMAN. In other words, you would permit it only in those cases where there was no agreement of any kind?

Mr. CROWLEY. That is right.

Mr. PATMAN. All right.

Mr. KUNKEL. As I understand, Mr. Crowley, the Federal Reserve's position is that they want to apply this law to corporations like Sears, Roebuck and the individual depositors also; they are not applying it strictly against the smaller banks?

Mr. CROWLEY. As I understand, this particular instance we are discussing now deals only with the absorption of exchange.

Mr. KUNKEL. As I understood, the statements made by the Federal Reserve representatives, Governor Ransom and Governor McKee, it would apply to corporations, in a number of instances they set out, that carried large balances, say, in New York, Chicago, San Francisco, just the same as it would correspondent banks. Is not that correct?

Mr. RANSOM. Equally and exactly.

Mr. FORD. Let me ask, since the question of exchange does, on the face of it, lend itself to an evasion of the law that exists on the banks and since a good many people feel if you took that law off of the books, you would bring back the situation that existed prior to its being enacted, is not there some way that a national clearing house might be established that would handle all checks and exchange for a very tiny fee, drawn on all banks, and eliminate that "par" thing that the Federal Reserve has, and apply it to all of them; just make it a straight-out fee?

Mr. CROWLEY. Of course, that would bring about par clearance, which you want.

Mr. FORD. That would do what?

Mr. CROWLEY. That would bring about par clearance, which you want to do.

Mr. FORD. Yes.

Mr. CROWLEY. It would not make much difference which body was doing it; it would have the same effect on the little banks.

Mr. FORD. Why would it? There would be no incentive to send deposits to another bank, and, if the exchange was taken care of, they would be making that much anyhow; would they not?

Mr. CROWLEY. Not unless someone absorbed it for them, they would not.

Mr. PATMAN. In view of the situation that has developed here, would it be all right with you if I asked Mr. Ransom a question?

Mr. CROWLEY. Surely; I would be glad to yield.

Mr. PATMAN. Now what is your idea about that? If there were no understanding at all about the payment of any amount; just say, for instance, if you carry a deposit with me, or with my bank, we will say, and there is no understanding about it, what is your idea of that?

Mr. RANSOM. Mr. Patman, let us take this illustration. One of the correspondent banks announces that it will absorb all exchange or any other out-of-pocket charges for any customer regardless of whether they have an account of any size. As far as I am concerned, I can say that we have nothing whatever to do with it as related to this law. Now the mere fact they do not do that I think completely proves the case.

The CHAIRMAN. Could that bank say to Montgomery Ward or any other particular depositor they would absorb all exchange and not be violating the law?

Mr. RANSOM. That question cannot be answered "Yes" or "No." There must be some relationship as we explained in our September bulletin, between the balance carried in the account and the amount absorbed.

Mr. PATMAN. You made public some release in order to show the device for avoiding the payment of interest?

Mr. RANSOM. We thought, in the September bulletin ruling, in that particular case, the facts supported our conclusion.

Now I would like to join Mr. Crowley on the record in saying that we would welcome an opinion from the Attorney General. I go one step further—the Comptroller is not here but the Deputy Comptroller is—and I think he would join me in that request. There is a technical difficulty in our asking the Attorney General for an opinion, but certainly the Treasury can ask it and I assume the F. D. I. C. can, and if they can we can certainly join in asking his opinion, because we would certainly like to know what he thinks about the decision we made in the September bulletin, and we would welcome anything they will do to get his opinion on our interpretation of the law.

Mr. CROWLEY. Mr. Chairman, may I ask Mr. Ransom a question?

Mr. PATMAN. I am sure that would be all right, will it not, Mr. Chairman?

Mr. CROWLEY. Do I understand Mr. Ransom to take the position that the Federal Reserve Board or the Federal Deposit Insurance Corporation really took issue with a regulation or a statement to the effect that as long as the absorption of exchange was not related to any understanding regarding balances they could construe the absorption of exchange not as an interest charge?

Mr. RANSOM. Mr. Chairman, in answering Mr. Crowley's question, I would like it to be remembered that in 1937 we agreed on uniform regulations which would result in both the F. D. I. C. and ourselves passing on the specific facts of any case that came before us—properly came before us—and then decide the case under the general law and the particular law we are discussing.

Now I do not think we could have gone any further in showing our disposition to do everything to cooperate completely. We just happened to have been the first of the two agencies that got a request for an opinion, in proper form. If it had been a non-member bank and had come to the F. D. I. C. under the same situation, I would be interested to know whether the F. D. I. C. would have answered it in the same way. Now in time they might get identically a similar case to be decided. I do not see, Mr. Crowley, that the two agencies can go further than say they will decide specific cases.

Mr. PATMAN. Mr. Ransom, may I offer this suggestion, and it is in accordance with what I consider to be your testimony? It seems to me that some people might say that if there is no relationship between the balances carried by the local bank and the amount of exchange charged and absorbed with the correspondent bank that there is no violation of the regulation at all.

Mr. RANSOM. May I ask the general attorney for the Board to answer that question?

Mr. CROWLEY. May I ask a question there before the answer is given?

Mr. PATMAN. Let us get the answer.

Mr. CROWLEY. My understanding of Mr. Ransom's statement of a few moments ago was that if there was no understanding or if the bank was to say to a customer they would continue to absorb exchange charges without any relation or connection with balances that they would determine that is not a charge the same as interest?

Mr. RANSOM. That is not what I said.

Mr. PATMAN. If there were no relationship, of course, we could actually say whether you would let them absorb it; you would have some understanding in some way; if there is no direct relationship between the balance and interest payment that would be shown over a period of time and would be evidence of a conspiracy and evidence that there was a relationship.



Mr. RANSOM. That was not exactly what I said, Mr. Chairman. I said, for example, if a bank did absorb all exchange for all customers, regardless of other items in the account, and regardless of any payment.

I would like, as a specific answer to Mr. Crowley's question, to ask the general attorney for the Board if he will answer that.

Mr. PATMAN. Let us hear from the general attorney; may we have his statement?

Mr. DREIBELBIS. Mr. Chairman, I would like to say that where the absorption of exchange is not related to compensation for the use of somebody else's funds it is not interest.

Mr. PATMAN. It is not interest and is not a device.

Mr. DREIBELBIS. It is not a device.

Mr. PATMAN. And it would not be a violation.

Mr. DREIBELBIS. Where it does not involve compensating someone for the use of his funds.

Mr. KUNKEL. If you establish a system like that, and I am not saying whether you can or cannot, is that not putting it on a basis of par clearance?

Mr. CROWLEY. Let me say this: What that is doing is getting right back to a service charge again. They are already doing that. If you send a thousand checks to a national bank and you do not have a hundred-dollar balance you have got to pay for the clearance of those items. But, if you have \$200,000 or \$250,000 they likely will not charge you anything for clearing the checks, and I think that is being done right today.

Mr. KUNKEL. Yes. But if you have them making no charge, and have no relationship between the balance and the amount absorbed and have them doing it whether there is a \$50 balance or a \$100 balance, the same for the man who has a \$100,000 balance as you not coming right back to the point that was so strongly opposed, that is, par clearance?

Mr. CROWLEY. I think so; I think that is the practical situation.

Mr. KUNKEL. I am speaking of the practical effect.

Mr. CROWLEY. If I were running a bank I would undoubtedly write to all my customers and tell them that I was going to continue to carry their exchange item without regard to their balances, and I would also write them that I would not take on any new correspondent banking business because I did not want to carry on a lot of free business. But undoubtedly you do get the same effect on par clearance balance you get with the national bank, that by a gentleman's agreement the balance would be maintained and the exchange would be absorbed.

Mr. KUNKEL. The gentleman's agreement is a violation of the law, is it not?

Mr. CROWLEY. Yes; that is right.

Mr. KUNKEL. If you do not have the gentleman's agreement and apply the law as stated in here the practical effect comes back to par clearance, I think.

Mr. CROWLEY. That is right.

The CHAIRMAN. Getting back to the answer given a moment ago about the absorption of these charges where you have got an agreement to maintain a certain balance the purpose is the same I think whether you have an agreement or whether you do not have an agreement.

Mr. CROWLEY. Yes.

Mr. FORD. I would like to ask this question: Would it be in order, or would the Federal Reserve be disposed to let this go along, say, for 60 days, in the application of this rule, until such time as either legislation can be enacted or an agreement can be reached or an opinion could be obtained from the Attorney General?

Mr. ROLPH. Mr. Chairman, I would like to ask Mr. Crowley this question with reference to the illustration he gave of the man putting a thousand checks in the bank for clear-

ance who has only a \$100 balance: Is it not a fact that anyone who has enough business, in the first place, to have a thousand checks would not be maintaining such a balance? Do you know of any specific instance where that has happened?

Mr. CROWLEY. Let me say this, Mr. Rolph: It may be a hundred, or it may be five hundred, or if you want to, make it a thousand, but from my experience with small business there are many, many small retailers throughout the country where the balance does not run more than \$500.

Mr. ROLPH. That is not true, generally speaking, is it? Usually they have \$1,000 or more.

Mr. CROWLEY. Let me say this, that many, many small retailers have to anticipate their deposits in order to stay in existence.

Mr. ROLPH. Do you know of any particular case where a concern has a thousand items for collection outside of his district and only \$100 in deposit in some little bank?

Mr. CROWLEY. Let me say this: That I think that back 5 or 6 years ago that in the nonmember banks below \$500,000 or \$1,000,000 or something like that, that the average deposit was \$250.

Mr. ROLPH. Well, that is very true, but—

Mr. CROWLEY (interposing). Wait just a minute. Do you know the way the service charge works today?

Mr. ROLPH. No.

Mr. CROWLEY. That is, the way the service charge works, so far as the private depositor's account is concerned?

Mr. ROLPH. I have no idea; no. My bank absorbs the charge for me.

Mr. CROWLEY. They charge you for every item that you send to your local bank. And I suppose that the average housewife would write 25 or 30 checks a month, so you can easily see that the small business would write five or six hundred checks a month.

Mr. ROLPH. That is right; out in the small towns, the small bank in a little town, I suppose your statement would be about correct.

Mr. CROWLEY. Yes; that is what I am talking about; they do have a charge. Where is your home?

Mr. ROLPH. San Francisco.

Mr. CROWLEY. Well, that is a pretty big town.

Mr. ROLPH. I will say it is; the best in the country.

Mr. CROWLEY. Suppose you lived in a little town outside of San Francisco, and you deposited by check, and you checked against your account, you would have to pay a charge for every check you wrote against your check.

Mr. ROLPH. You say the bank makes a charge against the depositor for every check the customer writes?

Mr. CROWLEY. Yes.

Mr. ROLPH. The customer does not have a collection charge; the bank absorbs that, does it not?

Mr. CROWLEY. You are getting confused between a service charge and an exchange charge.

Mr. ROLPH. As I understand this legislation, the Federal Reserve banks complain because certain banks and institutions are paying interest on credit balances to other banks who are absorbing the exchange that is charged, and I cannot see any similarity between a collection charge and an interest charge. As a matter of fact, I read your statement over very carefully. I am sorry I could not be here when it was made, but as I understand your statement, it is your opinion that a collection charge and an interest charge is the same.

I looked up in Webster's Unabridged Dictionary the definition of interest. I could not bring the dictionary over, but I brought this language, which reads as follows:

"The price or rate of premium per unit of time that is paid by a borrower for the use

of what he borrows; specifically a rate percent of money paid for the use of money or the forbearance of demanding payment of a debt."

Now if you have to absorb the collection you have got to pay for the difference, and I would like to have some explanation of that.

Mr. PATMAN. Mr. Chairman, I would like to make a suggestion if I may.

The CHAIRMAN. Yes, Mr. PATMAN.

Mr. PATMAN. In view of the fact that a request is going to be made to the Attorney General for an official ruling, and properly so, and I am glad it is going to be done, I am wondering if it would be possible to have some agreement about holding this thing in abeyance? I can understand the position of the Federal Reserve Board and they cannot afford to say, "We are not going to enforce the law." And I certainly would not ask them to say that. But where there is an honest difference of opinion about the interpretation of the law and where honorable men have different views, I just wonder if the Federal Reserve Board could afford, under those circumstances, in some way or manner to hold this thing in abeyance pending that decision. What would be your thought on that, Mr. Ransom?

Mr. RANSOM. Mr. PATMAN, I do not see how it lies within the power of the Federal Reserve to hold a law in abeyance.

I listened this morning to my friend Paul Brown and several other members of the committee suggest that we fix an effective date of the order. We have issued no order which has an effective date. We have written an opinion, which may or may not be right. I think it is right. The effective date of that opinion is the effective date of the law which you gentlemen passed in 1933 and reenacted in 1935.

Mr. PATMAN. Do you think you can have the Attorney General pass on this before January 1?

Mr. CROWLEY. I do not think so; he would not have sufficient time.

Mr. RANSOM. May I complete my statement?

Mr. CROWLEY. As Mr. Ransom says, this law was passed in 1933 and reenacted in 1935, and what I cannot understand is why they have become so conscientious about it all of a sudden.

Mr. RANSOM. Mr. Chairman, Mr. Crowley is one of the fairest men in government that I have ever had the privilege of dealing with, and I am quite sure that Mr. Crowley would never be intentionally unfair, but I think that statement is unfair, because Mr. Crowley knows, as well as you know, that from the date this law was passed we have been struggling with its enforcement. We have had innumerable conferences with Mr. Crowley and other members of the F. D. I. C. and their staff and at all times we have tried to enforce the law. If we had been negligent in that respect, there would be room for criticism.

Now, there are others involved in this question, possibly, than the F. D. I. C. and the Board. The Comptroller of the Currency has considerable responsibility under the statute.

I have a possible way, I think a very effective answer, to Mr. Crowley's suggestion that we have suddenly become conscientious and to other suggestions that we have within the last 2 weeks, I think he said, indulged in what he called a squeeze play, and I would like to read to the committee a letter, which has a tremendous bearing on that problem. It is from the Office of the Comptroller of the Currency and is signed by Mr. Upham, Deputy Comptroller. I am sorry it is as long as it is, but it must be introduced in order to explain the charges just made. It is addressed to the Board of Governors.

Mr. PATMAN. What is the date of the letter?

Mr. RANSOM. The date of this letter is July 31, 1942. It reads:



"Reference is made to office letter of June 22, 1938, enclosing a copy of a letter dated May 5, 1938, with enclosures, addressed to Chief Examiner —, by Examiner —, with respect to the absorption of out-of-pocket charges by the National Bank of —, of —. Such information was submitted for a determination as to whether or not there had been a violation of regulation Q, as amended, inasmuch as the Federal Reserve bulletin for March 1937, indicated that the amendment effective February 11, 1937, which eliminated subsection (f) and made an addition to section 2 (a), was to declare existing law rather than to interpret and apply the law to particular practices, and that, therefore, the question of what in a particular case is a payment of interest upon a demand deposit, or a device to evade the prohibition against the payment of such interest, would be a matter of administrative determination under the general law in the light of experience, as specific cases develop. In addition to submitting a specific case, reference was also made to the fact that another bank in the same section of the country has been absorbing exchange charges, possibly following the lead of the subject institution."

That refers to their request in 1938.

"In accordance with the Board's request of August 3, the examiner at the time of the next examination obtained additional information concerning the operation, and his letter of November 19, 1938, was sent to you on November 30, 1938. It was understood from your letter of December 12, 1938, that the matter was under consideration and when a determination had been reached as to the action to be taken in the matter, this office would be furnished with a copy of any letter written to the bank on the subject.

"On April 20, 1939, this office inquired whether a determination had been reached and was informed on April 27, 1939, that the subject of absorption of exchange and collection charges and other out-of-pocket expenses was under consideration by the Board of Governors, and it was possible that final determination of the questions involved might not be reached for some time, but that you would communicate with this office when consideration of the matter had progressed to a point at which more definite advice was possible.

"Further inquiry was made on August 16, 1939, inasmuch as reports of examinations of other banks in the locality indicated that for their own protection they considered it necessary to resort to similar practices. In reply on August 23, 1939, the Board advised that, while the subject was having active consideration, it involved many perplexing problems and it was not yet prepared to advise with respect to the matter.

"On January 12, 1940, you were advised that the examiner had reported he had discussed with President — of the subject bank the matter of absorbing exchange charges for country bank correspondents, that the latter had stated he would welcome a ruling from the Federal Reserve Board whereby the absorption of such charges would be considered a violation of regulation Q, but until such ruling was forthcoming he felt it necessary to continue to absorb such charges to meet competition. The Board was advised that other banks in the vicinity of the subject bank had found it necessary to engage in out-of-pocket charges because of the activity of the subject bank in this respect.

"On January 19, 1940, your reply indicated that if, as a result of the Board's consideration of the matter, it should be found desirable to communicate with the — on the subject, you would be glad to furnish this office with a copy of the communication.

"Later in the year the Board's letter of September 25, 1940, replying to office letter of September 4, stated that action had not

been taken with respect to the situation pressed in the National Bank of —, —, —, for reasons with which this office was acquainted, but that, as previously stated, this office would be advised in event the Board should do so at any time.

"At this point it was felt that this office should not continually bring up the subject but should await the Board's interpretation of its regulation when such determination might be made. However, it seems to involve a question which will not rest, and a practice which may spread to the detriment of banking generally, as well as one that, when once established, may be difficult to discontinue. For this reason, there follows an outline of subsequent developments.

"On December 5, 1941, the president of the — Clearing House Association stated that members of the association had been carefully observing the provisions of regulation Q, issued by the Board of Governors of the Federal Reserve System, but found that several banks in competing territory did not observe such regulation, which developed competition to the disadvantage of the — banks; that the examiners had consistently checked as to observance of this regulation and had discouraged any departure from its provisions, but that the matter of competition had developed to a point where some members of the clearing house desired to reopen the discussion as to its procedure under this regulation, and requesting this office to advise what relief could be expected through the enforcement of the regulation.

"On December 15, 1941, the president of the — Clearing House Association was advised of the efforts made to obtain the Board's interpretation of regulation Q with respect to out-of-pocket charges, and that a specific case had been submitted and the Board had stated this office would be advised of any action taken. He was further advised that the practice of absorbing out-of-pocket charges appeared to be an unnecessary expenditure of a bank's funds and was regarded unfavorably. It was suggested that if it resulted in a competition detrimental to the clearing house banks of — they ascertain from the Federal Reserve bank of — whether or not an interpretation of regulation Q had been made. He was requested to advise of any developments.

"On July 13, 1942, in reply to an inquiry from this office, the former president of the — Clearing House Association, his term having expired, stated that they received no satisfaction from their request for support from the Federal Reserve bank by enforcement of regulation Q; that their treatment was cordial and sympathetic but results were lacking and that, despite that discouragement, five of the six clearing house banks were willing to continue to abide by the full intent of that regulation, but the — National Bank of — elected to resign from the clearing house and pursue its own methods of handling exchange costs. He further stated that this precipitated a new competitive situation in our own front yard, and to meet this the banks that remained in the clearing house inaugurated a system of complete analysis, including out-of-pocket expense in the analysis, rather than consider it as a separate, chargeable item, as had been the practice. He stated they regretted that this change became necessary, but there apparently was no alternative."

I would like this to apply to Mr. ROLPH's recent question.

The ordinary service charge does not involve an actual out-of-pocket expense; it involves overhead. The collection aspect of the matter is that in the process of collecting many items exchange is involved—somebody has to pay it; in the instant case it was absorbed.

Mr. ROLPH. Is not that an arbitrary charge?

Mr. RANSOM. No, because the bank on which the check is drawn makes a charge for making its depositors' funds available elsewhere.

It may be arbitrary, if you want to consider it that on the part of the charging bank, but your bank would not be expected to pay it; the drawer of the check in question, not the recipient of the check or some bank along the line.

Mr. ROLPH. I put checks in my bank and receive a credit for check deposits, but I do not pay for it.

Mr. RANSOM. Probably your checks do not involve an exchange charge.

Mr. PATMAN. Let me say a point was raised here the other day about the sergeant at arms absorbing these charges. I asked the sergeant at arms about it, and he said if I were to draw a check on a bank where exchange was carried that when they found that out he would bring me a bill for that charge and have me pay it; he personally would not pay it; he would send a statement to me.

Mr. ROLPH. Has anyone had that experience?

Mr. RANSOM. Mr. Chairman, with your permission, I would like to read the rest of this letter to us from the Comptroller of the Currency to complete the record:

"On June 26, 1942, the president of the — National Bank of —, —, advised that under date of June 23, the — Clearing House Association changed their form of policy and were now absorbing exchange provided the account, from an analysis standpoint, shows an earning capacity, and that he was afraid this was going to be far reaching, and instead of banks being able to reduce overhead, the item will increase materially.

"While this office obtains only the viewpoint of national bankers and it would appear that they do not like the practice mentioned, even though certain of them feel that they must engage in it for their own protection, the question likewise involves and will affect the member State banks and nonmember banks.

"While it is our inclination to press national banks not to resort to this practice, we are reluctant to take too dogmatic a position on a controversial matter falling within a province delegated to the Board of Governors, in the absence of a determination of the question by them. Such a determination is highly advisable from a supervisory standpoint, and, we believe, from the standpoint of better banking generally. We would urge upon the Board the desirability of prompt ruling.

"Because of the implications to all banks, a copy of this letter is being sent to the Federal Deposit Insurance Corporation.

"Very truly yours,

"C. B. UPHAM,  
Deputy Comptroller."

The point I am trying to make, and I think Mr. Crowley will agree with this, is that this whole subject has been under constant discussion between agencies, between the banks, and often between Members of Congress, so that, Mr. Crowley, it is not a new position that we have suddenly taken, and I think when you said that you were doing us an injustice in a very difficult problem.

Mr. CROWLEY. Let me say this to you: I agree that it has been under discussion. This first letter from the Comptroller of the Currency was dated in June, sometime, 1938. The next one was dated July 1942.

We first started to discuss this thing, I think, back in 1935. I am not a lawyer and Mr. Ransom is; but if I were a lawyer I would accept Mr. Ransom's facts and figures and dates, and rest my case because there is no more emergency existing now, so that this thing cannot be delayed for 60 or 90 days, than existed last September, October, or No-



vember, except that, and I want to be fair about the thing, the Federal Reserve has already notified their Federal Reserve banks that on January 1 they are to notify their banks that they are going to start to prosecute violations of this regulation. That is what I am advised by the banks that happen to be in the Richmond area.

Now, what happens in this case, as I view it, is we come along here about the 1st of December, and we have this conference with this committee. It put this committee in this position: That if you are going to do anything about this to settle it in a legal way you have to have legislation. Now, it is humanly impossible to get legislation by January 1, because you cannot get it through the House or through the Senate. So the Federal Reserve Board says to you men now: We have a law we have to carry out here, and we cannot postpone it any longer. We must put it into effect and start to prosecute violations thereof by January 1.

Mr. PATMAN. But, Mr. Crowley, there is no difference of opinion between you gentlemen on this. The material thing, if I view it correctly, is that you gentlemen agree. All right; if you agree, why suspend it? Now, here is what you agree on: You agree that it is absolutely wrong, a violation of the law for them to conduct this business in a way that shows a direct relationship between the payment made and the balance which is carried. You both agree to that. All right; instead of suspending the law, then, why can't you just say that that is your rule and regulation? The Federal Reserve Board, Mr. Ransom, speaking for them, states that is his view. That being true, they will only have to refrain from engaging in one part of their activity, and that is the part which comes within the ban as defined by you gentlemen.

Mr. CROWLEY. The part which requires an offsetting deposit.

Mr. PATMAN. Yes.

Mr. CROWLEY. We are willing to join the Federal Reserve in a regulation to the effect that the absorption of exchange is not a violation unless it appears that there is a uniform relationship between the balance maintained and the amount of the exchange charged.

Mr. RANSOM. Any statement as to a uniform relationship would be wholly ineffective, in my opinion.

Mr. PATMAN. I think it would be ineffective, anyway, because it would require proof of uniformity.

Mr. RANSOM. If we could agree to that language as just read by Mr. Crowley, which, as I see it, we cannot, we would find ourselves in this dilemma: We would have this whole question to decide all over again on a state of facts that might develop tomorrow. Now, Mr. Crowley knows that over a period, when the Comptroller first asked us for an opinion to the day when we issued the September Bulletin opinion, we were in a constant state of trying to find some solution that would be acceptable to all three agencies that could be enforced. We have never failed to be diligent at all times.

Mr. PATMAN. I agree that that phrase, "uniform relationship," is bad; but can you not agree on some other phrase that would be acceptable to both of you?

Mr. RANSOM. I will say, Mr. PATMAN, that we had already agreed in 1937 with the F. D. I. C. on a form of regulation which we both issued, and which does nothing more than raise a question to be decided on the law and on the facts in the particular case.

Mr. BROWN. You issued a bulletin in June 1934, did you not?

Mr. RANSOM. I am sorry; I did not hear you, Mr. Brown.

Mr. BROWN. I say you issued a bulletin in 1934, did you not?

Mr. RANSOM. Yes; we issue one every month.

Mr. BROWN. All right; here is what you say: "The absorption or payment of such charges in amounts which do not vary with or bear a substantially direct relation to the amount of the depositor's balance is not prohibited by law."

Mr. PATMAN. That is what I understand both of you gentlemen agree on now.

Mr. RANSOM. Let me say, Mr. Brown, that is only a portion of the article in the June 1934 Federal Reserve Bulletin.

Mr. BROWN. I am going to ask Mr. Crowley to insert the whole bulletin in the record.

Mr. RANSOM. We are prepared to insert it.

Mr. BROWN. I am going to have Mr. Crowley insert it in view of the fact that he referred to it.

Mr. HULL. Pardon me if I interrupt here. We have not a quorum present, and we are considering a matter that is just before us as a matter of courtesy. We are going to adjourn tomorrow, and there is no possibility of any legislation being enacted before adjournment. After a week or so if discussion here, it is apparent that there is going to be action taken by the Federal Reserve Board on this regulation. I wonder if the chairman would entertain a motion or whether the committee would entertain a motion that inasmuch as the country banks are going to be required to spend a couple of million dollars on exchange charges before any legislation on it can be prepared—I wonder if you would entertain a motion suggesting that the chairman prepare a bill which will define the law in three or four paragraphs so plain that nobody can misunderstand it and bring that bill before the committee when we reconvene?

Mr. ROLPH. I second that motion.

Mr. BROWN. The suggestion of Mr. PATMAN might be a good one.

Mr. KUNKEL. But after you get the Attorney General's opinion, where are you?

Mr. BROWN. Then we can decide whether we want to enact a law.

Mr. PATMAN. There is no difference of opinion here.

Mr. KUNKEL. When you get the Attorney General's opinion, that will not settle it without a court's determination.

Mr. BROWN. You do not want to invoke it now until we can get the court's decision on it, do you?

Mr. KUNKLE. I think we would have to take it to the courts to decide it in any event.

Mr. RANSOM. Let me point out to you, Mr. Hull, and Mr. Crowley, that nowhere, to my knowledge, has the Federal Reserve Board or a single Federal Reserve bank ever used any date on which a law passed by Congress is to become effective, never.

Mr. HULL. I would ask you this question, Mr. Ransom: What you have before you and what you are trying to enforce is your construction of the law?

Mr. RANSOM. That is correct.

Mr. HULL. That is what you intend to enforce?

Mr. RANSOM. Correct.

Mr. HULL. Then, if you are wrong what is going to happen to this \$2,000,000 or \$3,000,000 exchange you will get in before some court can decide otherwise?

Mr. RANSOM. I cannot answer that because I do not know, because I assume the banks know the law and obey it. As to the suggestion that we are responsible in any way for the date of January 1, that is wholly incorrect. What happened in this, and it might throw some light on the discussion: After the banks read our September bulletin many of them concluded we were right, that they had been violating the law and they wanted to desist. So they sent out the notices that as of a certain day they would start observing the law. January 1, I believe, happens to be the date which Mr. Brown tells me some of the banks in his district received as the deadline from the banks with which they do business. I have seen

nothing of that kind from the State of Georgia.

Mr. BROWN. I have received a good many letters on that.

Mr. CROWLEY. May I put this in the record: Mr. Haynes told Mr. Brown, our general counsel, that the Richmond Federal Reserve Bank had notified his bank, and he understands they told all banks in that district, that unless they discontinued absorbing exchange by January 1 charges would be made against it. He said he was informed that all Federal Reserve banks would take the same action.

Mr. RANSOM. That is an action on the part of the president of one Federal Reserve bank, and I suppose that is an effort on his part to obtain compliance with the law, but the date is wholly immaterial to me.

Mr. BROWN. We have quite a lot of banks, small and large banks, that are concerned about this, and I have received letters from some of them in my own State, and they do not want this regulation to be put in operation now, but they are afraid to write to you about it, and they are afraid to have me use their names. They are afraid the Federal Reserve Board will place them on the blacklist. That is the whole truth of the matter.

Mr. RANSOM. We have no blacklist.

The CHAIRMAN. I do not think the committee offhand is in a position to decide these questions when there is a substantial difference of opinion between two departments of the Government.

Mr. PATMAN. I see no difference, Mr. Chairman.

The CHAIRMAN. Well, now, there is; there is no doubt about that. If this were a dispute between two individuals and the enforcement of a statute were involved, and if the court thought there was a substantial cause of action it would enjoin enforcement of that statute pending decision of the court.

It seems to me neither department has the ultimate right to make a decision if there is a conflict of opinion between them as to the law. Now, the Attorney General is the chief law officer of the United States. It seems to me this question could be submitted to him. I think it would be a proper submission where there is a substantial difference of opinion between two departments.

Mr. KUNKEL. What good would it do after you had done that?

The CHAIRMAN. The court would take this under advisement for a long time and consider it. I do not think the committee ought to have to decide it. I think some competent tribunal of the Government should decide this rather than the committee.

Mr. FOLGER. All of Mr. PATMAN's insistence upon an answer has been based upon a hypothetical state of facts that we might differ on as lawyers, but do we know the facts, and is it just in the situation to ask the Attorney General to pass upon a hypothetical state of facts?

I have a letter—and I am not going to give the name of the sender—from a banker who says that his bank has been notified that after January 1 they will absorb only 50 percent of the exchange charges, but it does not refer to any consideration as to interest or noninterest or the amount of demand deposits, or anything of that kind, but it just states that after that time they would not absorb more than 50 percent of the exchange charge. We are just hypothetically considering this matter. The banks that write me simply ask that this matter be deferred in some way until April 1—until it can be settled. We should take some time to see what has been going on. Here is one case upon which this ruling is based, but if you get a hypothetical opinion which is based upon a hypothetical question, I do not think it will answer the question.



Mr. RANSOM. In answer to Mr. FOLGER's very intelligent suggestion, we have no idea of asking the Attorney General a hypothetical question. We have a specific case, and we do have a difference of opinion as to the legal conclusions to be drawn from the facts as submitted by the Comptroller of the Currency. That case involves the question we have been discussing for days. We propose to ask for an opinion, or we will join in the request to ask him to render an opinion on the facts in that case. That is not hypothetical at all. That case obviously is effective and would be controlling, in my opinion.

Mr. FOLGER. I have had many telegrams and letters on this matter. Most of the telegrams and letters I have received contain only pleas for a postponement to be heard in some proper tribunal—a postponement for 60 days from January 1 to April 1. That is the request I have received from these men who are going to be vitally affected.

I am not taking a position either way. I have an opinion about the law, but my opinion might not be right, and there is no use to inject that here, but is there not some way, without the Federal Reserve bank seeming to stultify itself by postponing the execution or enforcement of a law by which these banks may be favored by such an innovation—and I am not criticizing the banks about that, as I do not know too much about them—but is there not some way in which this postponement can be accomplished to give a chance to the banks adversely affected—to give them a chance to come in and present the matter somewhere and somehow? We cannot do it now as we are going to adjourn tomorrow, and a resolution has been offered already.

As to Mr. Hull's suggestion that there will be \$2,000,000 paid out in charges, and what is going to become of it, suppose the last interpreter of this law should hold that this was not prohibited by this act which give rise to regulation Q?

Mr. RANSOM. I am treading on dangerous ground, and I am not at all sure of my legal position. Despite Mr. Crowley's statement that I am a lawyer, it has been a long time since I have practiced law, but if such a contingency arises as you suggest, who is going to complain, the bank to which in effect, in my opinion, the other bank is going to pay interest? Is the nonmember bank going to sue the absorbing bank for interest that it benefited from, or received? There is not any probability of it when you get into that field that anybody is going to be heard to complain. As an actual matter of fact the indirect payment of interest is not to the absorbing bank in all instances an unfair proposition because they have gotten the use of the balance. As I said to start with the bank that absorbs exchange in all probability must make more out of the funds of their correspondent bank than they absorb for the correspondent bank, or they would not do it. So, there is not any danger of a certain amount of interest being paid out which, as Mr. Hull suggested someone might want to recover. That does not give me any concern at all, but the Board's position, Mr. FOLGER, would be an extremely difficult one if it recedes from its present position.

Mr. BROWN. When the gentleman concludes his answer, since we have a witness here, Mr. Crowley, who has been here for several days, I think we ought to let him complete his statement.

Mr. CROWLEY. Mr. Chairman, I have got to please be excused at 12 o'clock, because I have an appointment that I have to keep, but I just cannot get through my head why we have to rush this thing through here in a few days.

I feel very, very keenly about this thing here, and I know Mr. Ransom does on the other side.

There could be a joint resolution put into the Senate delaying the execution of the Federal Reserve's ruling for 60 or 90 days

that would not have any difficulty in being passed.

There are a good many Congressmen and a good many Senators who feel very keenly about this thing and who have little banks that feel very keenly about it, and if Mr. Ransom and his Board will only agree just to have the Federal Reserve bank and these other banks leave this thing alone and immediately, Mr. Chairman when you get back put in a resolution that would protect the Federal Reserve Board for 90 days until you have a chance to see whether this committee wants to draft some definite legislation dealing with this thing here that would meet the situation. I think the subject is entitled to that much consideration.

Now, so far as I am concerned, I have done everything that I can possibly do on this thing here. I have disagreed with the Fed on this since 1935. I realize their position, but there is not anything more I can do about this, except this, that as far as the Federal Deposit Insurance Corporation is concerned, I think we have a perfect right to write our banks a letter stating that as to the nonmember insured banks the absorption of exchange will not be considered a violation of the Corporation's interest regulations where the exchange bears no relation to the amount of the depositor's balance.

Mr. PATMAN. That is where I say there is no difference between you. You would not object to postponing a resolution that would ban the payment of interest directly or indirectly?

Mr. CROWLEY. I think you might pass a law until this law could be clarified.

Mr. PATMAN. But I think your instructions would clarify it.

Mr. CROWLEY. I know that we do not have a right to do that.

Mr. PATMAN. You stand by the 1934 order about where there is no relationship between the amount of deposit and the compensation paid that it is not a violation of the law?

Mr. RANSOM. That is a technical question. Because of my loss of voice from which I am suffering from the process of taking up your time, and because it is very strictly a technical legal question I will ask you to let the general attorney for the Board answer that question.

Mr. BROWN. At this point may I ask permission to insert in the record this bulletin issued in June 1934, pages 394 to 396, inclusive?

Mr. KUNKEL. Has anybody submitted the September issue of the bulletin for the record?

The CHAIRMAN. Without objection the pages referred to may be inserted in the record at this point.

(The pages referred to are as follows:)

[Extract from Federal Reserve Bulletin for June 1934, pp. 394-396]

**"ABSORPTION OF EXCHANGE OR COLLECTION CHARGES BY MEMBER BANKS**

"Section 19 of the Federal Reserve Act, as amended by the Banking Act of 1933, approved June 16, 1933, provides, in part, that:

"No member bank shall, directly or indirectly by any device whatsoever, pay any interest on any deposit which is payable on demand."

"If strictly complied with by member banks, this provision of law would reduce one of their largest items of expense, and it is in their own interest for member banks to cooperate in obtaining complete compliance with both the spirit and the letter of the law on this subject.

"Since the enactment of this provision on June 16, 1933, the Board has frequently had occasion to consider the question whether the payment or absorption of exchange or collection charges by a member bank, in connection with items received on deposit from its customers or correspondents constitutes an indirect payment of interest

within the prohibition of section 19, where such deposits are payable on demand; and the Board has issued a number of rulings on this subject during the past year.

"Questions as to whether or not the absorption of particular charges constitutes an indirect payment of interest within the meaning of the law must be determined as and when they arise in particular cases and in the light of the special facts of each such case, and no general rule applicable in all cases can be prescribed. However, rulings which the Board has made in particular cases which have been presented for its consideration have resulted in the establishment of certain principles, which are summarized below for the information and guidance of member banks:

"(1) The absorption of exchange or collection charges in amounts which vary with or bear a substantially direct relation to the amount of a depositor's balance amounts to an indirect payment of interest in violation of section 19 of the Federal Reserve Act, if the deposit is payable on demand.

"(2) The absorption or payment of such charges in amounts which do not vary with or bear a substantially direct relation to the amount of the depositor's balance is not prohibited by law.

"(3) If exchange charges and other actual out-of-pocket expenses are included in an analysis of an account which also includes a credit allowed the customer for interest or for the reasonable value of the account to the bank interest is paid to the extent that such credit offsets out-of-pocket expenses absorbed by the bank; and any such payment with respect to a deposit payable on demand is in violation of law.

"(4) If exchange charges and other out-of-pocket expenses are omitted entirely from an analysis of an account, credit for the earning value of the account to the bank may lawfully be included in such analysis, provided no payment is made to the customer with respect to such account and the analysis is used solely for the purpose of determining whether the bank itself is properly compensated for the services which it renders to the customer and/or what service charges, if any, must be assessed against the customer.

"In order that the application of these principles may be more clearly understood, the rulings in which they were established are reviewed below.

"In one of the earliest rulings by the Board, the question presented was whether a member bank might lawfully absorb exchange or collection charges in connection with checks and other items received by such bank for credit to the account of the correspondent bank. From the statement of facts submitted, it appeared that a charge would be made and assessed against the correspondent bank unless a sufficient balance was maintained by that bank to recompense the member bank for the absorption of such charges; but it did not appear that there was a substantially direct relation between the amount of the charges so absorbed by the member bank and the amount of the balance maintained by the correspondent. For the purposes of the ruling, it was assumed that the amount of the charges so absorbed would not vary directly with the amount of the deposit balance, but would depend rather upon the number of items received in the correspondent's account, the time necessary to collect them, and the manner of collection necessary. It was further assumed that, although service charges might be made against the correspondent bank if it failed to maintain a balance sufficient to recompense the member bank for the absorption of such charges, nevertheless, if the amount of the deposit balance exceeded the minimum required for the absorption of such charges, there would be no corresponding increase in the cost of the account to the member bank or in the



pecuniary benefits to the correspondent bank.

"The Board ruled that the absorption of exchange or collection charges in such circumstances was not to be regarded as a payment of interest directly or indirectly within the meaning of section 19, since the amount of charges absorbed by the member bank would not vary with or bear a substantially direct relation to the amount of the balance maintained by the correspondent bank. However, the Board stated that, if the amount of such charges or benefits to the correspondent bank should vary with or bear a substantially direct relation to the amount of the deposit balance, such a practice would come within the prohibition of section 19, against the payment of interest on deposits payable on demand.

"In another case there was also presented to the Board a question as to the legality of a practice under which member banks charged to their depositors the amount of exchange charges on checks received on deposit, except that, if the average daily balance of the depositor was \$1,000 or more, the banks absorbed the amount of such exchange charges. The Board stated it was of the opinion that the absorption of charges in such circumstances was not an indirect payment of interest, since the amount of charges absorbed did not vary with or bear a substantially direct relation to the amount of the depositor's balance; and that accordingly, the member banks were not prohibited from absorbing charges on such a basis in connection with balances payable on demand.

"On the other hand, in another case presented to the Board, it appeared that it was the custom or practice of certain member banks, in connection with deposits received from correspondents and payable on demand, to absorb exchange or collection charges in an amount equivalent to 2 percent of the collected balance of the correspondent bank. On the basis of such facts, the Board expressed the view that the payment or absorption of exchange or collection charges by any such member bank up to an amount equivalent to a certain specified percentage of the amount of the collected balance of the correspondent or customer was an indirect payment of interest in contravention of the provisions of said section 19.

"In yet another case, the facts were stated to the Board substantially as follows: The potential earning power of the depositor's balance is arrived at on the basis of an arbitrary rate representing in theory the approximate average earning rate of the bank's loans and investments. This amount is set up as an analysis credit account which will offset service charges for checks collected, checks paid, etc. If the total amount of such service charges is less than the analysis credit, no service charge is assessed against the depositor; but, if such charges exceed the amount of the credit, the depositor is called on to pay the difference. The bank does not actually pay any part of the analysis credit to the depositor, regardless of the amount of such credit or the amount of the service charges. It was stated that the service charges themselves did not represent actual payments made by the bank for exchange, collection, or other similar charges, but it appeared that such items, representing actual expenditures by the bank on behalf of specific depositors, would actually be included in computing the amount to be offset by the analysis credit, which apparently represented a fixed percentage of the depositor's balance. On the basis of such information, the Board expressed the view that the deduction from the amount of service charges to be imposed upon a depositor of an amount equivalent to a certain percentage of his balance is an indirect payment of interest within the meaning of section 19 of the Federal

Reserve Act, and accordingly, that no member bank may lawfully make a deduction from service charges on such a basis with respect to deposits payable on demand.

"Insofar as this ruling related to service charges representing general overhead expenses of the bank, as distinguished from exchange, collection, and other charges arising out of specific transactions for specific customers and actually paid or credited by the bank on behalf of such customers, it was qualified subsequently by the ruling next discussed below.

"Under date of November 24, 1933, the Board was advised by the chairman of the banking code committee that article VIII, paragraph (3) of the Bankers' Code of Fair Competition, as approved by the President on October 3, 1933, provides that rules shall be adopted by all clearing houses fixing uniform service charges whereby services rendered by banks shall be compensated for either by adequate balances carried or by a scale of charges. It was stated that, in order to determine whether the balance carried in an account is sufficient to compensate the bank fairly for services rendered, it is necessary to analyze the account and that this requires the establishment of uniform rules which must give consideration of the value of the account and proper service charges against the account; and that these charges are of two classes: First, general overhead expenses of the account; and second, out-of-pocket expenses, such as exchange, collection, and other charges arising out of specific transactions for specific customers and actually paid or credited by the bank on behalf of such customers.

"It further appeared that, under the code, it was the duty of the banking code committee to consider the rules which were being submitted for approval by clearing houses and other banking groups provided for in the code and that, before passing upon these rules, the committee desired to know whether it would be contrary to the provisions of the Federal Reserve Act which prohibits the payment of interest on deposits payable on demand for member banks to take into consideration 'the reasonable value of their customers' deposit balances' in analyzing accounts in accordance with a uniform plan to be approved by the banking code committee for the purpose of determining whether service charges should be assessed against their customers and, if so, the amount to be assessed: *Provided*, That (1) the value of each account to the bank is computed in accordance with a uniform plan approved by the banking code committee, and (2) the banks require actual reimbursement (without deduction of interest or of the estimated value of the customers' balance to the banks) for exchange charges, collection charges, and other charges arising out of specific transactions for specific customers and actually paid or credited by the bank on behalf of such customers."

"In response to the foregoing, the Federal Reserve Board reconsidered the ruling last discussed above and made an official ruling to the effect that a practice such as that outlined in the letter from the chairman of the banking code committee would not be contrary to the provisions of section 19 which prohibit the payment of interest upon deposits payable on demand. In reaching this conclusion, the Board qualified certain earlier rulings to the extent of holding that the absorption, in an amount equivalent to the value of the depositor's account to the bank, of service charges representing the depositor's allotted shares of the banks' general overhead expenses, as distinguished from exchange charges, collection charges, and other charges arising out of specific transactions for specific customers and actually paid or credited by the bank on behalf of such customers, would not contravene the rule against paying interest directly or indirectly on deposits

which are payable on demand. In making this ruling, the Board also took particularly into account the fact that the uniform ruling proposed to be adopted by the banking code committee contemplated, among other things, that the banks would require actual reimbursement for exchange and collection charges without the deduction of interest or of the estimated value of the customers' balances to the banks. It was felt that such a rule would eliminate any question of illegality which might be occasioned by the absorption by a bank of exchange or collection charges in an amount bearing a substantially direct relationship to the amount of the balance.

"In conclusion, it should be noted that, in any case in which a member bank pays or absorbs exchange or collection charges or other expenses in connection with any deposit payable on demand, the burden will be upon it to show that such payment or absorption of charges is not a device to evade the provisions of section 19 of the Federal Reserve Act forbidding the payment of interest on deposits payable on demand."

Mr. PATMAN. Referring to paragraph (1)—

"The absorption of exchange or collection charges in amounts which vary with or bear a substantially direct relation to the amount of a depositor's balance amounts to an indirect payment of interest in violation of section 19 of the Federal Reserve Act, if the deposit is payable on demand."

Is that all right?

Mr. RANSOM. No; it has to be explained. Read the last paragraph.

Mr. PATMAN (reading):

"(2) The absorption or payment of such charges in amounts which do not vary with or bear a substantially direct relation to the amount of the depositor's balance is not prohibited by law."

Do you agree to that?

Mr. RANSOM. Provided you read the last paragraph.

Mr. PATMAN (reading):

"In conclusion, it should be noted that, in any case in which a member bank pays or absorbs exchange or collection charges or other expenses in connection with any deposit payable on demand, the burden will be upon it to show that such payment or absorption of charges is not a device to evade the provisions of section 19 of the Federal Reserve Act forbidding the payment of interest on deposits payable on demand."

In other words, you just shift the burden of proof there, but the general proposition that you and Mr. Crowley both agree on, as I understand it, is that where there is a direct value or relationship, we will say, over a period of time which shows that the amount of charges absorbed has a direct relationship with the amount of deposit kept by the bank, it would be a violation of the law. Now, both of you gentlemen have agreed to that?

Mr. RANSOM. Yes.

Mr. PATMAN. Now, then, I cannot see why, if you put that together in one order or regulation, or issue separate regulations making that plain, why anybody could complain of it.

Mr. RANSOM. We put it together when we decided the September bulletin case.

Mr. PATMAN. Now, this 1934 order still stands, does it?

Mr. RANSOM. That is hardly an order; it is an expression of opinion.

Mr. PATMAN. All right, it still stands; you have not changed your views?

Mr. RANSOM. Will you please let the general attorney of the Board explain that?

Mr. DREIBELBIS. I agree with the 1934 statement, and I agree with paragraphs 1 and 2.

Mr. PATMAN. Has the Board changed its views on it?

Mr. DREIBELBIS. No, sir. I will say that the ruling in September 1943 is entirely consistent with that statement. I think the question is "wherein is the September 1943 rule



out of step with the 1934 ruling in the bulletin?"

Mr. CRAWFORD. It is not out of step, is it?

Mr. DREIBELBIS. I say no, as a lawyer.

Mr. PATMAN. I am not admitting that it is.

Mr. FOLGER. Then, this question arises, why was not something done comparable to what was done in the following September, in 1934, when the Board sent out its bulletin? You see, that was 9 years ago, and we are now engaged in a war, it is Christmas time, and we are about to adjourn, and all of these things are confronting us.

Mr. McKEE. With the permission of the witness, I would like to make a statement off the record, as far as this delay in the mechanics of it is concerned.

Mr. PATMAN. Mr. McKee wants to make a statement off the record in regard to the delay in the mechanics of it.

The CHAIRMAN. Without objection, he may make a statement off the record. Mr. Crowley is on the stand, but if you want to proceed, why, all right.

Mr. CROWLEY. I yield, but not for all afternoon.

(Discussion off the record.)

Mr. PATMAN. I would like to ask Mr. Crowley this question: Why could not your banks bring a suit? They have their rights under the law. Why put this on Congress? You have your law; you have your lawyers, and you have your courts.

Mr. CROWLEY. Mr. Chairman, I would like to say just this. I do not think it is up to me as Chairman of the F. D. I. C. to come here and argue with Congress as to what it ought to do. If you Members of Congress do not want to meet this issue with some legislation, then certainly it is the duty of the Federal Reserve to carry on in the way they interpret the act. I have expressed my views on this, and I expect to let all the insured banks in the country know what my views are. But if Congress does not want to meet this issue head-on, that is up to them. I think all this stuff about delay, and all this about the necessity of doing their duty, and so forth, and so on, is all bunk. I think it is up to Congress to take positive action.

I just want to say this one other thing. Some of you may not agree with me on this matter, but I want to tell you that this is going to lead to things in the future on which you will agree with me.

Mr. BROWN. In that connection I just want to say that I am just doing my best to clear up this situation. I do not think you can put this on Congress. We did not know anything about the enforcement of this regulation as interpreted by the Federal Reserve Board.

Mr. TALLE. Mr. Crowley, in connection with your final statement, is it fair to say this might lead to branch banking?

Mr. CROWLEY. I do not think there is any doubt about it. I think you are giving to the branch-bank advocates one of the finest weapons you ever gave them in your life.

Mr. McKEE. I would like to refute that. I think you are giving to small banks the chance to make money on their own money, just as has been done by the big banks. You do not absorb exchange charges for nothing, and if they had not been operating with the little fellows' money at a profit, they would not be absorbing their exchange charges.

Mr. KUNKEL. Mr. Chairman, with your permission and that of the committee, I would like to include, as part of the record, some figures given in the Annual Report for 1942 of the Board of Governors of the Federal Reserve System. These figures are found on page 82 of that report and give the number of banks on the par list and those not on the par list, by both Federal Reserve districts and States, as of December 31, 1941, and December 31, 1942.

The CHAIRMAN. Without objection, that may be done.

(The matter referred to is as follows:)

**No. 19.—Number of banks on par list and not on par list,<sup>1</sup> by Federal Reserve districts and States, on Dec. 31, 1941 and 1942**

| Federal Reserve district or State | Member banks  |               | Nonmember banks, other than mutual savings banks |               |                 |               |
|-----------------------------------|---------------|---------------|--|---------------|-----------------|---------------|
|                                   |               |               | On par list                                      |               | Not on par list |               |
|                                   | Dec. 31, 1942 | Dec. 31, 1941 | Dec. 31, 1942                                    | Dec. 31, 1941 | Dec. 31, 1942   | Dec. 31, 1941 |
| <b>DISTRICT</b>                   |               |               |  |               |                 |               |
| Boston.....                       | 348           | 347           | 160  | 162           | -----           | -----         |
| New York.....                     | 799           | 797           | 188  | 195           | -----           | -----         |
| Philadelphia.....                 | 652           | 659           | 221  | 224           | -----           | -----         |
| Cleveland.....                    | 685           | 673           | 510  | 538           | 2               | 2             |
| Richmond.....                     | 460           | 447           | 262  | 275           | 288             | 289           |
| Atlanta.....                      | 318           | 317           | 87   | 82            | 693             | 704           |
| Chicago.....                      | 925           | 899           | 1,301  | 1,338         | 215             | 220           |
| St. Louis.....                    | 450           | 437           | 585  | 621           | 446             | 443           |
| Minneapolis.....                  | 454           | 452           | 103  | 115           | 718             | 716           |
| Kansas City.....                  | 744           | 741           | 864  | 905           | 173             | 176           |
| Dallas.....                       | 570           | 573           | 239  | 241           | 149             | 152           |
| San Francisco.....                | 274           | 277           | 223  | 228           | 26              | 29            |
| <b>Total.....</b>                 | <b>6,679</b>  | <b>6,619</b>  | <b>4,743</b>                                     | <b>4,924</b>  | <b>2,710</b>    | <b>2,731</b>  |
| <b>STATES</b>                     |               |               |  |               |                 |               |
| <b>New England:</b>               |               |               |  |               |                 |               |
| Maine.....                        | 40            | 40            | 26   | 26            | -----           | -----         |
| New Hampshire.....                | 53            | 53            | 12   | 12            | -----           | -----         |
| Vermont.....                      | 40            | 40            | 32   | 32            | -----           | -----         |
| Massachusetts.....                | 154           | 153           | 39   | 41            | -----           | -----         |
| Rhode Island.....                 | 14            | 14            | 9  | 9             | -----           | -----         |
| Connecticut.....                  | 60            | 60            | 57   | 57            | -----           | -----         |
| <b>Middle Atlantic:</b>           |               |               |  |               |                 |               |
| New York.....                     | 584           | 580           | 126  | 133           | -----           | -----         |
| New Jersey.....                   | 289           | 291           | 61   | 61            | -----           | -----         |
| Pennsylvania.....                 | 771           | 778           | 278  | 288           | -----           | -----         |
| <b>East North Central:</b>        |               |               |  |               |                 |               |
| Ohio.....                         | 391           | 379           | 293  | 312           | -----           | -----         |
| Indiana.....                      | 215           | 201           | 280  | 296           | 3               | 3             |
| Illinois.....                     | 447           | 434           | 347  | 364           | 32              | 32            |
| Michigan.....                     | 225           | 224           | 222  | 230           | 1               | 1             |
| Wisconsin.....                    | 147           | 145           | 255  | 260           | 159             | 161           |
| <b>West North Central:</b>        |               |               |  |               |                 |               |
| Minnesota.....                    | 209           | 207           | 42   | 48            | 421             | 420           |
| Iowa.....                         | 158           | 154           | 385  | 390           | 111             | 114           |
| Missouri.....                     | 164           | 160           | 326  | 344           | 111             | 107           |
| North Dakota.....                 | 43            | 45            | 3  | 4             | 113             | 112           |
| South Dakota.....                 | 60            | 60            | 6  | 6             | 96              | 96            |
| Nebraska.....                     | 147           | 147           | 100  | 107           | 159             | 164           |
| Kansas.....                       | 211           | 209           | 426  | 447           | 2               | -----         |
| <b>South Atlantic:</b>            |               |               |  |               |                 |               |
| Delaware.....                     | 18            | 18            | 24   | 23            | -----           | -----         |
| Maryland.....                     | 79            | 74            | 96   | 100           | -----           | -----         |
| District of Columbia.....         | 17            | 17            | 5  | 5             | -----           | -----         |
| Virginia.....                     | 190           | 184           | 86   | 91            | 39              | 39            |
| West Virginia.....                | 103           | 101           | 71   | 74            | 6               | 6             |
| North Carolina.....               | 55            | 55            | 15   | 17            | 127             | 125           |
| South Carolina.....               | 28            | 27            | 3  | 4             | 116             | 119           |
| Georgia.....                      | 68            | 69            | 18   | 19            | 260             | 261           |
| Florida.....                      | 58            | 58            | 16   | 15            | 89              | 89            |
| <b>East South Central:</b>        |               |               |  |               |                 |               |
| Kentucky.....                     | 112           | 113           | 273  | 275           | 10              | 10            |
| Tennessee.....                    | 76            | 77            | 52   | 47            | 167             | 173           |
| Alabama.....                      | 83            | 82            | 5  | 4             | 129             | 132           |
| Mississippi.....                  | 26            | 26            | 5  | 6             | 171             | 175           |
| <b>West South Central:</b>        |               |               |  |               |                 |               |
| Arkansas.....                     | 63            | 59            | 36   | 44            | 129             | 127           |
| Louisiana.....                    | 38            | 37            | 3  | 4             | 103             | 105           |
| Oklahoma.....                     | 217           | 218           | 159  | 160           | 12              | 12            |
| Texas.....                        | 527           | 530           | 225  | 227           | 95              | 96            |
| <b>Mountain:</b>                  |               |               |  |               |                 |               |
| Montana.....                      | 67            | 66            | 21   | 24            | 22              | 22            |
| Idaho.....                        | 26            | 28            | 20   | 22            | -----           | -----         |
| Wyoming.....                      | 36            | 35            | 19   | 22            | 1               | 1             |
| Colorado.....                     | 93            | 93            | 47   | 51            | -----           | -----         |
| New Mexico.....                   | 27            | 27            | 14   | 15            | -----           | -----         |
| Arizona.....                      | 7             | 7             | 5  | 5             | -----           | -----         |
| Utah.....                         | 34            | 34            | 25   | 26            | -----           | -----         |
| Nevada.....                       | 8             | 8             | 4  | 4             | -----           | -----         |
| <b>Pacific:</b>                   |               |               |  |               |                 |               |
| Washington.....                   | 57            | 57            | 51   | 51            | 23              | 26            |
| Oregon.....                       | 31            | 32            | 36   | 36            | 3               | 3             |
| California.....                   | 118           | 113           | 84   | 86            | -----           | -----         |

<sup>1</sup> Includes all member banks, and all nonmember banks on which checks are drawn except mutual savings banks, on a few of which some checks are drawn. Banks "not on par list" comprise nonmember banks which have not agreed to pay without deduction such checks drawn upon them as may be forwarded for payment through the Federal Reserve banks. Checks on such banks are not collectible through the Federal Reserve banks. The difference of 5 between the number of nonmember banks on Dec. 31, 1942, shown in this table and in table 17 is due to the fact that this table excludes 135 banks (principally 59 industrial banks and 58 nondeposit trust companies) on which no checks are drawn, and includes 130 banks (principally 110 private banks and 15 cooperative banks) on which checks are drawn but which (1) are not reporting to State banking departments, or (2) are in liquidation.

(Wednesday, February 9, 1944)

The CHAIRMAN. Now, Mr. Crowley, you may proceed.

Mr. CROWLEY. Mr. Chairman and members of the committee, we had worked on a written statement which I wanted to present to the committee, but I felt this thing had been prolonged so long that you men certainly had had enough opportunity to visualize what it is all about, and I did not want to burden you with a lot of unnecessary detail.

I appreciate the friendship this committee has always had for the Federal Deposit Insurance Corporation. It has been a non-partisan committee in support of all of the legislation and things to help us. I also want to say, insofar as my associates in the Federal Reserve are concerned, that I am sorry there has always been between us that marked difference of opinion regarding the banking system. I do not take that as a personal difference, because they are all good friends of mine; but I do disagree with them very emphatically upon this exchange charge and I want to go on record as saying that I favor the Prown bill. I think, in favoring the Brown bill, that I am making a very definite contribution to the continuance of the dual banking system in this country—the right of directors and management to use ordinary discretion in the conduct and affairs of their business. I do not believe that any group of men, no matter how wise they may be or how honest they may be, should have the power so that they might regulate the life and the death, the thought and the actions of the banking system to the extent that they attempt to do in this regulation, or in this determination of their regulation.

The amount involved in this, as I understand it, is about \$8,000,000. In a banking system of \$100,000,000,000, you would have to stretch your imagination a long way to say the effect of that would destroy the soundness of a banking system with \$100,000,000,000 in deposits.

I think, inevitably, that involved in this is the question of branch banking; the question of State rights. And as you know from my past testimony here, my attitude on that has always been that the matter should be left to the States to determine the kind of banking system they want; and the thing I have always opposed was the extension of branch banking over State lines by any direct or indirect method. I think also involved in this is the question of correspondent bank accounts. All of those things, in my mind, go one-two-three.

We tried to get the Federal Reserve not to inject this regulation at this time, in the midst of a war, when everyone is busy. When they addressed these letters to the chairmen of the Banking and Currency Committees of both Houses, which was done on August 6, I think it was just about the time everyone was struggling with subsidy and about the time they were getting ready to go away on their vacation.

I think, too, the manner in which this thing has been handled has put this committee on the defensive, because my understanding, in the beginning, was that they would not do this without first notifying the members of this committee and the members of the Senate committee. My understanding is that they went to Mr. Spence and said they would like to have a short hearing in order to discuss this matter, and then it developed into a lengthy hearing here. But the impression I got from the Federal Reserve Board was that this was brought up at the request of this committee. I also now understand that this hearing was started at the request of the Federal Reserve Board.

Now this law was enacted in 1933 and 1935. It has been on the statute books for a great many years. Personally, I think it is very unfortunate that we have all had to waste our time during a war to discuss a thing of this nature. There has been discussed here the question of production credit loans, coop-



erative credit loans, whether we would be better off to do this, or to do that, and disregard this regulation. I do not think two wrongs make a right. I feel whatever rights the banking system has under this system here, if they have any rights coming to them, they should have them.

I have always rejected and deeply resented regulation by legal interpretations of administrative laws, and I think that is what this is, and I want to put myself on record as being in favor of the Brown bill. And I think you men, if you vote this bill out, will be making a very, very definite contribution to free enterprise and to the rights of management, and you definitely will serve the necessities of the banking system supervisors of this country; for they have no right to step over the foul line by interpreting legislation in an administrative way, without first coming to Congress and letting them discuss this thing on its merits.

In the beginning, they said the thing involved in this was the question of absorption of exchange. Later, as you men went on, you could see that definitely linked to this is the question of par clearance. Now for 25 years they have been trying to get par clearance through this committee and through the courts; in some way, to force par clearance on the banks of this country, but neither your committee nor any other committee has ever been willing to do it. I have no objection to coming up here on a par clearance bill and meeting it head-on if they let us know what it is; but I do object trying to link that in and getting it in some indirect way, and I feel very definitely that is what is involved here.

In our State bank system, I have always been a strong believer in respecting the rights of the State supervisors, and I have always believed that you cannot regulate to the place where you are going to do the thinking for management; that management must not backfire on their responsibility for their operations. And I think it is time wasted on this thing here, in comparison to the amount involved, as it is perfectly silly to talk about that being an unsound practice in a banking system of \$100,000,000,000. I think it has been exaggerated terribly.

I am not going to take a lot of your time. You men know my philosophy as to a sound and unsound banking system. You men have been kind to Federal Deposit Insurance; you have been kind to me personally. I could go on and elaborate here for hours as to why I believe these things must be stopped, but I want to finish and will answer any questions you ask me. I think what is involved here is something a whole lot deeper than this question of \$8,000,000.

I will be very happy, Mr. Chairman, to answer any questions you want to ask me.

Mr. Ford. I would like to ask one question. Mr. Crowley, I have a tremendous amount of respect for your opinion. You have done a magnificent job in the F. D. I. C., but you would not say that you could not tell a bank it would have to cancel a loan that they made, would you?

Mr. CROWLEY. You mean we would tell them to cancel a loan?

Mr. Ford. If you went into their portfolio and found their judgment was bad, you would not want to be deprived of the right of telling them that was a bad loan and they would have to take it out?

Mr. CROWLEY. I think all the right we have on that is the right to take such information as the bank may be able to give us and, if we feel the loan cannot be paid, we would simply make a report to the board of directors and suggest that they charge that loan off out of their profits. We do not tell them they have to call that loan, or that they should not have made that loan; it is just a matter of whether it should be carried as a good asset or not.

Mr. Ford. But you do not want them to carry that in the bank's assets?

Mr. CROWLEY. We do not want them to carry an asset that we feel is lost as a valuable asset. But I do not think that has anything to do with this thing here.

Mr. Ford. In my mind I connect the two things up in principle. I think if you can regulate a bank—

Mr. CROWLEY. We do not object, in this instance of exchange, to going in and sitting down with the banker who is using this to the detriment of his bank and discussing it with him and showing him that he should not do it to that extent.

I think this whole question of supervision gets back to the respect and the influence that you have with your individual banker and the board of directors—to cooperate with them. We cannot run the banking system from Washington.

Mr. Ford. I do not believe that is the question that is involved, Mr. Crowley, but I think you have got to have some kind of a general regulation to cover this. Now if they were going to have to take up each specific case—if the Brown bill is passed, of course, that lets it out; but, under the present circumstances, they have to go in and take up every specific case and crack down on that. That is what these fellows are objecting to. And the ones that are actually using the exchange thing as a method of securing benefit, or a profit, or a return, while at the present time it may only be \$800,000,000, I can conceive of it being \$800,000,000.

Mr. CROWLEY. No; I do not agree with you on that; because I do not think there is any danger of it growing to that extent; because you understand they have had that practice now for a great many years and, if they had wanted to, all of your banks could have been in the same category as these 2,100 little banks. But they did not do it.

Mr. Ford. I know, but it was a very important factor in the days when they paid interest. They paid higher interest than they ought to; then they absorbed exchange and some of them, even almost installed a nursery to try to get money into their banks. That is what I do not want to bring back.

Mr. CROWLEY. Let me say this. You know the things that were passed in your banking laws in 1933 and 1935 appeared to be necessary at that time; but many of the reasons for some of the legislation that was passed back in 1933 and 1935 have been eliminated. There is nothing so sacred about not paying any interest to a depositor, for his deposits; and we do permit interest to be paid on time deposits. Of course we regulate them and say they cannot pay beyond a certain amount, as a maximum; but 99 percent of your banks are already paying much less than the regulation calls for. What I am getting at is that it looked at the time that we put that in that perhaps the bidding for funds might have been part of the weakness in our banking system. That was when you could send money East and get an exorbitant rate of interest.

But there have been regulations passed and laws passed and you have the Securities and Exchange Commission and the Reserve Board that have been given control over that thing. It might be well, some time soon, to kind of take a look at the bank legislation that we passed in 1933 and 1935. We did that at a time when there was a great emergency on and maybe we went a little too far on some of these regulations, and it may be that we are really holding back some of the credit flow of this country, and it is not what it should be in some of the small communities, and that a lot of the restrictions we passed then, because we were faced with this emergency in 1933 and 1935, are not necessary now. There is no reason why we should not take a look at this thing again.

Mr. Ford. I agree with you, but I do not like to be chipping away at this and giving an advantage to one group and denying it to another.

Mr. CROWLEY. Let us assume we do abuse the powers we have in the classifying of loans: Because we do that and have that authority, is there any reason for injecting another regulation on top of the banking system that we do not need?

Mr. Ford. Well, it is a question of opinion whether we need it or not. I agree with you that probably the entire banking laws of 1933 and 1935 ought to get an overhauling; that in view of S. E. C. and all of the other restrictive measures we passed, maybe it would be a good thing; but I do not believe we are going to cure any of this by willy-nilly opening the door.

Mr. CROWLEY. I do not think you are opening the gates at all. Here are 2,100 little banks involved that have been carrying on this practice for 25 years; the whole thing amounts to \$3,000,000, and that is the largest part of their net income. Now, we are going to take that away from them on the theory that it represents an unsound contribution to the banking system. It doesn't make sense.

Mr. Ford. I know, but what are the gross deposits in those little banks. That is the thing I am worrying about.

Mr. CROWLEY. About \$2,000,000,000 in a system of one hundred billion. The deposits are so small that again it makes my argument all the stronger; because you cannot say they have any great influence for unsound operation in your banking system.

Mr. Ford. Well a sore throat is not a dangerous thing, but it can go into the flu, you know.

Mr. CROWLEY. But any time they want to advocate something, all they have to do is to talk about "this is unsound" and "that is unsound," and you bring up that old bogey question.

Mr. BARRY. Mr. Crowley, in your experience in the banking business, was the word "exchange" ever used to mean "interest"?

Mr. CROWLEY. No; that never figured. I do not think the little banks ever considered, or the big banks either, that the absorption of exchange was interest on deposits. This absorption has been going on for a long, long time, long before your regulations went into effect.

Mr. BARRY. And when this definition of interest was agreed on between the F. D. I. C. and the Federal Reserve Board, at that time was it contemplated that definition of interest would include exchange?

Mr. CROWLEY. Back when they first issued their regulation, we did not go along on it because we would not agree on the definition. They then got it out and that is the time Congressmen and Senators and the White House requested them to withdraw that regulation.

Mr. BARRY. So far as you know, this committee was never faced with the clear issue of whether or not exchange should be defined as interest?

Mr. CROWLEY. No, and I do not think there is anything in the testimony on the Bank Act of 1933 or 1935 that indicates that, either.

Mr. Ford. Just at that point: Did not we have a discussion on that a couple years ago and finally decided the best thing to do to get rid of it was to permit the Board to determine and say what was and what was not "interest"?

Mr. CROWLEY. No. I do not want to say positively, but I do not think it was ever officially before this committee since the law was enacted, except in an unofficial way at the time we agreed to postpone the regulation.

Mr. ROLPH. Right along the line of what happened in 1935, Congressman DOUGHTON, chairman of the Ways and Means Committee



of this House, appeared before this committee on January 24 and I would like to read the first paragraph of his statement:

"In 1933 when I voted for the Banking Act, which contained the provision prohibiting banks from paying interest on demand deposits, I had no idea that 10 years later this law would be used to disrupt the charging of exchange by the many hundreds of small banks in this country which have engaged in this practice for years and are dependent upon it as a chief source of income. Had there been any indication that this provision would be so misconstrued, I would have insisted upon an amendment such as that proposed in the pending bill. I did not do so simply because there was nothing in the language of the provision or the legislative record to suggest to me that the power to regulate interest charges could be stretched to include regulation in the field of exchange charges. So far as I know, that interpretation was never discussed or considered."

That is Representative DOUGHERN, chairman of the Ways and Means Committee of the House of Representatives, who made that statement right here before this committee.

Mr. CROWLEY. Congressman, I think many, many of the members of this committee at that time would have felt the same way.

Mr. ROLPH. You said in your remarks that the discussion in connection with this legislation went far afield of just the simple little language in the bill, and a great deal of stress has been laid on the expenses of the banks. Many exhibits have been introduced into the record here showing the returns to the bank from this exchange, and showing in many instances that it is the difference between profit and loss.

Mr. CROWLEY. That is right.

Mr. ROLPH. Now in addition to this exchange item which, as I see it, means keeping a good many of the banks in the black, I understand the banks of this country are performing a wonderful service to the Government, for which they get no remuneration at all, that is, in handling the sale of bonds. And do not you think it would be very unwise to interfere with that marvelous war effort and clamp down on the banks at this time, and that to enforce this regulation would be a great disservice to the country?

Mr. CROWLEY. I agree with you.

Mr. ROLPH. Do not you think so?

Mr. CROWLEY. I agree with you.

Mr. ROLPH. As a matter of fact, when I was out home during the summer recess, a number of bankers spoke to me about the expenses in connection with all of these different activities of the Government, and I want to say, if for no other reason, if those banks are sound, when they are faced with this situation, we should pass this bill out unanimously and put a stop to this practice of interfering constantly with the management of these small banks.

Mr. BROWN. Many of the banks of the Middle West are affected, too.

Mr. ROLPH. Yes; all over the country.

Mr. CROWLEY. And that is not only in just this particular regulation, but I think if this committee brings this bill out it is going to have a very wholesome effect on your whole banking system and your whole supervisory system. I think it is going to do a lot of good for your State supervisors and their rights and interests, as well.

Mr. ROLPH. I do not know whether you realize the tremendous amount of work the banks have to do in handling ration coupons. They get a little remuneration from the Government, but the expense is five or six times what they get out of it.

Mr. CROWLEY. That is right; I agree with you.

Mr. ROLPH. Thank you very much.

Mr. PATMAN. Mr. Chairman, I want to ask a question. Mr. Crowley, I have given this

matter serious thought. On account of your interest, and especially Mr. Brown's interest, I have been trying to see your viewpoint; I have been doing my very best to do it. There are some things that bother me along that line that I just do not have reconciled and do not understand to the extent that I can come to your viewpoint right now. Possibly you can help me.

If the banks are spending money in the bond drives and in taking care of the coupons, have expenses that they should not be compelled to absorb, I think the Government should stand that expense, but we should do it directly.

Mr. ROLPH. The banks are not complaining; the banks are glad to do it, but it is a very great expense to them.

Mr. PATMAN. I say if it is putting too much of a burden on them, the Government should pay that cost; but we should do it directly; we should not do it in some round-about, indirect way that is really a subsidy.

Mr. KEAN. But the banks do get a deposit when they sell bonds to their customers.

Mr. PATMAN. Well, the banks are pretty well taken care of; they are pretty well provided for, and it won't be long before the banks will be in a very vulnerable position, when the point is reached, as it doubtless will be reached, that they will own so many Government securities that the interest on those Government securities will amount to as much as their entire capital stock is. And when they reach that point they are in a very vulnerable position, and some fellow might get up over here on the floor of the House and say, "Why pay these fellows a billion and a half or two billion dollars of interest; why not buy them up and buy the stock, and save all this interest every year?" And the banks are getting in a very vulnerable position. They are doing it for a patriotic reason, I admit, and they are to be commended for the work they are doing.

Mr. ROLPH. They are doing a fine job.

Mr. PATMAN. But we cannot give them everything, you know.

Now, I was very much impressed with the testimony of the witness from North Carolina, who said he could not invest his reserves in Government bonds of any type or character, but he could place those reserves with a correspondent bank who could, in turn, invest them, and that, by favoring his correspondent bank that way and the correspondent bank profiting by reason of that favor, the correspondent bank would absorb certain charges for him, the local bank. Now, where those reserves cannot be invested by the local bank and can be handled in that way, it impressed me as being a very fair and reasonable thing to let him do that, and I think I would be inclined to vote for any bill that would permit him to do that in a case like that. But the point I am getting to is where the bank can invest its reserves—and there are many different ways the Treasury has provided for it to invest its reserves, not only in three-eighths percent, but seven-eighths, and also in 2 percent and even 2½ percent bonds, in certain instances—and can get their money back instantly, if they need it, I cannot understand why the correspondent bank would accept an account from the local bank unless the correspondent bank in some way, directly or indirectly, made money on that account. Can you explain why they would?

Mr. CROWLEY. Let me say this to you, Mr. PATMAN, in answer to that question. As far as I am concerned, my principal objection is I do not think you can satisfy the rights of those 2,100 banks by giving them a lollypop.

Mr. PATMAN. What do you mean by "giving them a lollypop"?

Mr. CROWLEY. They very definitely have some rights as citizens of this country and as managers of this banking system, and whether we pay them three-eighths of 1 percent or 5 percent for their money, I do not believe that ordinarily you have any

justification in taking from them their rights as citizens because you are going to give them something to pay for that right.

Mr. PATMAN. Yes; but, Mr. Crowley, all the banks asked us to pass that law to make it unlawful for interest to be paid on demand deposits; the banks themselves asked for that type of interference.

Mr. CROWLEY. I think we are getting involved in what they do with their funds and what the correspondent banks do with their funds; I think we are getting involved in something other than what is before us in this bill.

Mr. PATMAN. I do not think so. Let me make it a little plainer. Here is a bank in Texarkana, Tex., my home town. That bank can send its funds, we will say, to a Dallas bank or to a St. Louis bank; take its reserves and not invest them in Government bonds but send them to St. Louis, we will say. Now do you think that St. Louis bank would expect to make a little profit out of that; otherwise, they would not absorb the exchange charges for the Texarkana bank?

Mr. CROWLEY. I think that any bank, when it accepts a deposit from you, or when any man sells you something they expect to make a profit out of you. And I have some evidence to show that on your service charges, they figure your balances and things like that in determining your service charge. Yet we are not in here telling the banking system: "You cannot make a service charge; you cannot do this; you cannot do that."

Mr. PATMAN. But that is not answering my question. Suppose we confine it to just that one case, if you please. That is a reasonable illustration, one that is likely to occur any place in this country. Do not you think the correspondent bank would expect to make a profit out of that account, or it would not carry it?

Mr. CROWLEY. I assume that any man in business, in any of his operations, wants it to be profitable.

Mr. PATMAN. Yes, sir; and if you were a correspondent bank, you would not take an account unless you could make a little money out of it, would you?

Mr. CROWLEY. I think in every business there are certain things which are done and where you cannot say every move is profitable.

Mr. PATMAN. That is not the question, though, Mr. Crowley; you have not answered my question. With all due respect to you, you have not answered my question. I ask you this question: Will the correspondent bank handle the account for this local bank unless the correspondent bank normally expects to make a profit?

Mr. CROWLEY. I think that all depends on how keen the competition is. I have seen many times when business was willing to do a lot of things for good will and things like that.

Mr. PATMAN. But that is an exceptional case. I am talking about normally. Will a correspondent bank take an account of a local bank and handle it in the way that has been described here, unless the correspondent bank can make a profit out of it? You would not do it, would you, as a normal, general, rule; as a normal procedure and a general rule, you would not do it, would you?

Mr. CROWLEY. I presume a man in business would naturally try to operate all of his departments at a profit.

Mr. PATMAN. Well, am I assuming correctly in saying your answer to it is "Yes," that they would normally expect to make a profit?

Mr. CROWLEY. Yes; but I want to add this to my answer. I do not think that is involved in this question; whether a correspondent bank is operating at a profit or a loss, I do not think, has anything to do with this bill before us.

Mr. PATMAN. Well, I am all haywire on this bill before us. Now, then, if that bank in Texarkana sends an account to St. Louis and



lets the correspondent bank make a profit—and naturally they are going to make a profit, or they would not take the account—why would it not be better to keep that money right there in Texarkana and invest it in Government securities which, if the money was needed, they could get back on a moment's notice, almost, and just as easy as they could get it from St. Louis, and make as much or more profit? Now you tell me why that would not help the Texarkana bank, and that will help me in passing on this thing.

Mr. CROWLEY. I do not set myself up as an authority to tell the fellow in Texarkana, or wherever he may be, what he ought to do with his funds. If he wants to put them in a correspondent bank, in place of buying Government securities, or wants to invest them in any other way, that is the responsibility, in my opinion, of management.

Mr. PATMAN. But you are in favor of local management and local control?

Mr. CROWLEY. I am in favor of local management and local control.

Mr. PATMAN. That being true, you are in favor of keeping local funds at home.

Now, do not you know, if this money is sent to St. Louis, there will be less incentive for the Texarkana bank to make loans in Texarkana?

Mr. CROWLEY. No; I do not agree with that. That money, even if it is sent to St. Louis, to the correspondent bank, still would be available if they could get any loans in their own district.

Mr. PATMAN. But if they are required to keep a certain balance in St. Louis, that would stop them from making loans in Texarkana.

Mr. CROWLEY. With the liquidity of those banks, by investing in Government securities and things like that, it would be a long, long time before they would draw their balances down so that they could not loan money in the local communities.

Mr. PATMAN. But is it not a fact, Mr. Crowley, that the local bank, as a general rule, can get more profit by investing its own funds, as now provided by law, than it would if it were to send those funds to a correspondent bank?

Mr. CROWLEY. I am going on the theory that all local banks have a very definite responsibility to take care of the needs in their local communities and the more funds they can employ in their local communities the more profitable it is and the more the contribution they are making to their local community.

Mr. PATMAN. That being true, would it not be better to keep those funds right there in that locality?

Mr. CROWLEY. I do not know what you mean by "that locality." They have to have some correspondent accounts.

Mr. PATMAN. Evidently they must have them, unquestionably; but I am talking about generally having the major part of their reserves in those accounts. I am not convinced; in fact, the way it looks from here, from the testimony I have heard, the correspondent bank would be better off if it invested the money itself. And this question of interference does not appeal to me at all, because the banks have asked for too much interference from the Government to complain about that.

Mr. CROWLEY. Wait a minute. What kind of interference have they asked for? I have not seen any interference which the little fellow comes for here that helped him very much.

Mr. PATMAN. Well, you take those demand deposits: The little bank asked for that, and the American Bankers Association. And, by the way, how do the American Bankers Association stand on this bill; do you know?

Mr. DILWEG. Right at that point, a number of bankers testified here that they did not ask that interest be removed on demand deposits, but subsequently thought that Con-

gress showed proper statesmanship when they put that law into effect.

Mr. PATMAN. Well, they did not protest.

Mr. DILWEG. That is the testimony.

Mr. PATMAN. Let me ask this: Do they plan coming' herc—the American Bankers Association? I have not heard from them in this hearing at all. I presume they will come forward and express themselves. This involves all banks, and naturally they ought to have something to say, and I look forward to hearing what recommendations they have to make.

Mr. CROWLEY. Let me say right there I won't have a friend left around Washington at all, when I get through testifying on this bill. It is a strange situation for a bureaucrat to come up here before this committee and be arguing about "regulation." As a rule, we are up here arguing for more power, and I am trying to preserve for the small banks of this Nation the right to determine their own destiny, that they may have some elbow room to run their own institutions. We are the fellows who insure these banks; if something happens to the banks, we are the ones who are going to pay their losses. And let me say this to you: Deposit Insurance will never suffer enough loss in dollars and cents in these banks to be particularly hazardous to the financial position of Federal Deposit Insurance. In my judgment, Congressman PATMAN, the very backbone of your whole small-business structure in this country is your small bank. Now you ask me where the A. B. A. stands on this thing here. I have a statement that the present president made at the time deposit insurance was being talked of, where I think he said it would create socialism if deposit insurance was put into law. Now the A. B. A. are all good friends of mine, but they use the little fellow to contact you Congressmen every time there is any legislation up, and the big fellow stands back and lets the little fellow become the front.

Mr. PATMAN. I am asking if that is the reason the A. B. A. won't be here?

Mr. CROWLEY. The big banks are all silent at this time; but, in reality, they are giving this bill the "foot" all the time. It is unfair. The only thing I have ever seen that they openly stood for is a late fall and an early spring. That is the only thing I think they will positively stand for.

Mr. PATMAN. And you do not think they will be up here to testify before the bill is brought out?

Mr. CROWLEY. I do not care where they stand on it, because I think it would be a vacillating thing no matter what they stood for.

Mr. PATMAN. There is another thing I hope you will help me out on.

Mr. CROWLEY. First, may I read his statement?

Mr. BROWN. I want to call attention to the fact that Mr. Drawdy, of the Georgia Railroad Bank & Trust Co., testified they were the correspondent for about 80 banks, and it is a matter of fact if they did not absorb exchange and collection charges that they could probably make more money, but they had the good will of these people and the interest of these localities at heart for 75 or 100 years. He wrote me a letter later and also testified to that fact, that probably they would make more money if they did not absorb exchange and collection.

Mr. CROWLEY. This is the statement Mr. Wiggins made on the Banking Act of 1932. The question was asked Mr. Wiggins and he said:

"If you are willing to precipitate another—"

"The CHAIRMAN. Oh, no; do not say another one. Do not talk about precipitating a panic when cotton is 5 cents a pound.

"Mr. WIGGINS. I am not talking about a panic; I am talking about something else. If you are willing to precipitate another series of failures, pass the law."

That was the statement of the present chairman of the A. B. A. against Federal Deposit Insurance.

Mr. PATMAN. While we were considering Federal Deposit Insurance?

Mr. CROWLEY. That is right.

Mr. PATMAN. Of course, I am opposed to their views on that; I am in favor of your views on that. Now, you are in favor of investing reserves locally, are you not?

Mr. CROWLEY. May I just answer you in this way?

Mr. PATMAN. Yes.

Mr. CROWLEY. We had an old fellow back home when Judge Kaiser was running for the United States Senate and he said to James McCormack, who was his coachman, he said, "James, are you going to vote for me tomorrow?" James said, "Mr. Kaiser, I cannot vote for you tomorrow, but I will do all I can for you." You are doing that for me, to.

Mr. PATMAN. Well, I fail to see the light and you do not help me when you fail to give a satisfactory answer as to why the local bank has to send its money away from home, when it would do better if it kept it at home.

Mr. CROWLEY. I did not say they would do better by sending it away from home. I want them to employ as much of their funds as they can at home, and I want them all to do that, too.

Mr. PATMAN. Now here is the point: Why is it that these banks will be in such a desperate situation in the event par clearance is required of them, or we pass this law, or not pass it, while a number of other banks of the same size, some of them operating in the same communities, across the street, are fairing all right? Why is that?

Mr. CROWLEY. Let me answer that in this way: When I first came up here in December, my understanding was par clearance never was thought about in connection with this at all. That was furthest from the thought of the Federal Reserve Board. We were talking about this regulation.

Mr. PATMAN. Please do not accept anything I say as representing the Federal Reserve Board, because of all people I do not represent, I do not represent the Federal Reserve Board.

Mr. CROWLEY. There was no statement at all that par clearance was tied into this thing here, and that was the indirect reason for all of this maneuvering. Now the thing I said in December, and say now, is if you are going to talk about "par clearance," put a bill in and let us have it right out, and not do it in some indirect method.

Mr. PATMAN. Would you favor such a bill?

Mr. CROWLEY. Put the bill in and see.

Mr. PATMAN. Would you favor it, or oppose it?

Mr. CROWLEY. I would like to look into it first.

Mr. PATMAN. Well, you ought to have a very definite conviction on that, Mr. Crowley—a man with your experience and knowledge. You would not like to say now, whether you would favor such a bill?

Mr. CROWLEY. I have always been a very strong State rights man and have always been very strong for State systems.

Mr. PATMAN. But you really have not answered my question.

Mr. CROWLEY. That bill is not before us.

Mr. PATMAN. But this question is before us.

Mr. CROWLEY. Where do you think I would be?

Mr. PATMAN. But you have not answered my question; that is, why these banks that you are talking for now will be in such a desperately serious situation in the event this bill does not pass, when other banks of the same size, of the same capital, the same deposits, operating in the same town, across on the other side of the same street, are faring all right. Now you just tell me that, and that will help me a lot.



Mr. CROWLEY. Let me say this to you first, as far as that is concerned: You might be able to get along pretty well on \$12 a week; I might not be able to get along quite so well. But the thing I object to is why do we have to have a regulation at all, why not leave this to the banking system that they might police themselves, and why are we going way down to the bottom of the barrel to find some little bit of a reason for passing this stricture on the banking system? Let us assume they could live without it; do we want to cut them down to just a mere existence, because we have a right to do it?

Mr. PATMAN. But, Mr. Crowley, the principal argument made for this bill is that, unless it passes, these banks, most of them, will have to close, forcing a change in the branch-banking system; that they just cannot make money. And I cannot understand why they cannot operate, when their competitors across the street, with the same capital, with the same deposits, with the same of everything else, can go ahead and make money. I just cannot understand it, Mr. Crowley.

Mr. CROWLEY. That is true in life, all the way through. You and I have the same heart and the same lungs, and everything else; but one might not be as strong as the other.

Mr. PATMAN. But here are 2,500 cases.

Mr. BARRY. If they are both getting along all right, the par and the nonpar, why disturb that situation?

Mr. PATMAN. I will leave that, because I assume no fair answer can be given; but I will ask you another question, Mr. Crowley. Why does it happen, as in the State of Iowa, that they passed a State law out there against this? They have par clearance out there, and your little banks get along all right out there; do they not? And, even if they were to pass this law, it would not apply to Iowa.

Mr. CROWLEY. Let me say there was an awful lot of banking legislation passed in the days when we were all sweating and worrying about the banking system of this country. I have been active in State legislation and I don't think the little banks of Iowa ever went up to their legislators and begged for the enactment of that law. That is just another one of those things which happen in our form of government. But if you leave a group of State congressmen and State senators alone, they will review it in time and straighten it out; and I think Iowa will straighten itself out eventually, too.

Mr. PATMAN. You think they will repeal this law?

Mr. CROWLEY. I would not be surprised.

Mr. BROWN. But this bill would not affect Iowa.

Mr. PATMAN. No; it would remain just as it is.

Now, Mr. Crowley, I would like to vote for a bill here, if it would freeze the situation as it is, where it could expand and there be no competition between the banks. I would be inclined to vote for that. I would like to see the bill first, like you would like to see the bill about par clearance.

Mr. CROWLEY. This is not a freezing thing, and that would not be a satisfactory solution of this problem. You don't have any right to freeze my rights on a thing like this.

Mr. PATMAN. Mr. Crowley, of all the people who cannot complain with good grace about interference in the banking system, there is one bureau all the bankers favor, the Bureau of Engraving and Printing, and nobody hears them say anything bad about that.

Mr. CROWLEY. Oh, no.

Mr. PATMAN. And they have gotten very good legislation from the Congress.

Mr. CROWLEY. Very favorable.

Mr. PATMAN. And it would come with poor grace for them to complain about a little

legislation, or a small amount of interference, to prevent the expansion of a bad policy in the banking fraternity.

Mr. CROWLEY. What I mean is that I don't think a freezing, Congressman, meets this thing head on. I really think this practice is not something growing by leaps and bounds. As a matter of fact, I think it has diminished more than it has grown. It has not grown to any great extent. So why should we want to go to the expense of putting a freeze on, when there is no great growth in the practice?

Mr. PATMAN. Suppose a case would come to you, as Chairman of the Federal Deposit Insurance Corporation's Board, exactly like the case which came to the Federal Reserve Board, how would you have passed on that?

Mr. CROWLEY. In the first place, I don't think I would have made the interpretation they made in the first instance. In Federal Deposit Insurance, we have never come up here since 1935 and asked for any amendment to our law, have we?

Mr. PATMAN. I don't recall any, but you had a pretty good law to start off with, did you not?

Mr. CROWLEY. Yes; but, like all these fellows downtown, we could have been running up here if we wanted more power.

Mr. PATMAN. You are not lacking, in power, are you, Mr. Crowley?

Mr. CROWLEY. Oh, we could use some more.

Mr. PATMAN. But you have ample power, have you not?

Mr. CROWLEY. I think the success of Deposit Insurance has been in the cooperation with the State commissioners and in working with the Federal agencies, plus the fact that where we had a problem, in most instances we have been able to work it out with the individual bank.

Mr. PATMAN. Another thing that bothers me on this thing, Mr. Crowley, is the argument made that it is invalid, illegal, this order. I cannot understand why a bank did not go into court and contest it. I have been in little towns and I know the smaller the town the smaller the lawyer's fee; and in every town and with every bank you can always get a case brought into court, and at a price that is not prohibitive. I just cannot understand why somebody did not contest this thing in the courts, where an interpretation could be made by courts.

Mr. CROWLEY. I think you pretty well know the fear the average citizen has about coming to Washington or getting into the Federal courts. I was 30 years old before I knew they gave us anything but an income tax.

Mr. PATMAN. You don't insist that they would have come to Washington, do you?

Mr. CROWLEY. Congressman, you don't want legislation that is going to force a lot of little fellows into the courts to try out the legality.

Mr. PATMAN. All right; let us start on another approach. What about declaratory judgments? Why haven't you gone into court and gotten a declaratory judgment?

Mr. CROWLEY. Wait a minute. You have gotten me on the other side. I am a part of the Government here.

Mr. PATMAN. All right.

Mr. CROWLEY. You have me up here in the position of one of the little bankers.

Mr. PATMAN. Well, there are about 5,000 of the banks not members of the Federal Reserve System, are there not? Just between 4,500 and 5,000?

Mr. CROWLEY. Somewhere around that.

Mr. PATMAN. And about half of them are affected by this bill?

Mr. CROWLEY. Yes.

Mr. PATMAN. And the other half are not.

Mr. CROWLEY. We want the other half on something we can find a regulation on.

Mr. PATMAN. Why doesn't your counsel join the counsel of the Federal Reserve Board in asking the Attorney General to get a declaratory judgment? That would not involve the prestige or the standing or

the public relations of any bank in the country. That would be right here in Washington, and you could just go in the court here and ask the court to give you a declaratory judgment. Would you be willing to do that?

Mr. CROWLEY. No; I think this committee either ought to vote this bill out or vote it down. As far as I am concerned, Congressman, I think I have fulfilled my public responsibility when I have made my views known on this thing here. You have had a notice of this thing, and if the committee feels they want to turn this bill down, then they have to take the responsibility for it; and, as far as I am concerned, I am not going to the Attorney General or play around with the thing any more. I am going to make my position publicly known, and that is all there is to it.

Mr. PATMAN. I have asked for information in two instances, which has not up until now been furnished. As to one of those, I just made the request yesterday and, of course, I have not had an opportunity to get it, even if it has been prepared. One is as to the banks involved in this, about 2,600, I believe. I wanted a statement about the size of the banks, and a break-down as to each bank. I wonder if that is available.

Mr. CROWLEY. We will get it for you.

Mr. PATMAN. Is it available now?

Mr. THOMPSON. We have been preparing that. I have some of the material now, and we hope to get it to the committee this week.

Mr. PATMAN. This week?

Mr. THOMPSON. Yes, sir.

Mr. PATMAN. This is now Wednesday.

Mr. THOMPSON. Yes, sir.

Mr. PATMAN. And the other?

Mr. CROWLEY (to Mr. Thompson). Wait a minute. You want to get it so that if they are going to vote on this bill, they won't hold up on account of this.

Mr. THOMPSON. I have two tables here now, showing the earnings and the distribution of assets.

Mr. PATMAN. Have you broken it down as to each bank, or just in classes and groups?

Mr. THOMPSON. No, sir. By arrangement with the Federal Reserve, it was decided we would answer both sides of your request.

Mr. PATMAN. That is fair.

Mr. THOMPSON. That is, prepare the data for the par and the nonpar banks, grouping them by size.

Mr. PATMAN. And are you working with them on this?

Mr. THOMPSON. The Federal Reserve has left it to us to get up the data because we have it in our files, and we have not had time to turn it over to the Federal Reserve.

Mr. PATMAN. Then it will be a joint preparation agreed upon by both of you?

Mr. THOMPSON. No, sir. We will submit the tables and the data to the committee, and the Federal Reserve will also have an opportunity to look at it.

You know, the uses of statistics are rather strange, and you can pick people of the utmost probity and good will and technical skill and give them the same data, and they will come out with different conclusions.

Mr. PATMAN. I think everyone on this committee realizes that.

Mr. THOMPSON. So we would not think of introducing this material as coming jointly from the Federal Reserve and ourselves, until the Federal Reserve has had an opportunity thoroughly to go over it.

Mr. PATMAN. I certainly don't want you to understand me as saying I want you to do it without their approval. Of course, if they approve it that is all right.

(The tables referred to may be found in the appendix to this volume, pp. 720 to 736.)

Mr. PATMAN. Then the other request was about the chain banks in this group, and the holding-company banks. One thing that appealed to me at the very beginning, Mr. Crowley, was that if we did pass this bill,



it would render unnecessary the establishing of branch banks and holding-company banks in a lot of these communities where these banks would be squeezed out. That appealed to me very much. But I was very much disturbed when the first witness coming on here was a holding-company man, who owned a lot of banks down in North Carolina; and it was the same thing as to other witnesses.

Do you have that information?

Mr. THOMPSON. The Federal Reserve has prepared information on the holding-company banks, and we have prepared information on the branch banks, of which there are about 195.

Mr. PATMAN. In this group?

Mr. THOMPSON. Out of this group of 2,100 to 2,400 nonpar banks.

Mr. PATMAN. There are about 195 of them which are branch banks.

Mr. THOMPSON. Yes, sir.

Mr. PATMAN. And how many of them will be holding-company banks?

Mr. THOMPSON. The Federal Reserve is preparing that.

Mr. PATMAN. You have no estimate on that?

Mr. THOMPSON. No, sir;

(The statement on branch banks referred to follows:)

*Insured State nonpar banks operating branches, June 30, 1942*

|                     |     |
|---------------------|-----|
| Arkansas.....       | 8   |
| Georgia.....        | 2   |
| Iowa.....           | 17  |
| Kentucky.....       | 1   |
| Louisiana.....      | 18  |
| Mississippi.....    | 21  |
| North Carolina..... | 35  |
| North Dakota.....   | 15  |
| South Carolina..... | 3   |
| South Dakota.....   | 20  |
| Tennessee.....      | 11  |
| Virginia.....       | 7   |
| Wisconsin.....      | 37  |
| Total.....          | 195 |

Source: Division of Research and Statistics, Federal Deposit Insurance Corporation.

Mr. ROLPH. Did I understand the gentleman to say he is making this analysis according to each individual bank?

Mr. THOMPSON. No, sir; we took them and grouped them by size, because a difference in size affects the figures quite materially.

Mr. BARRY. Mr. Crowley, referring to Mr. Patman's question about going into court, this ruling was not actually in force until just recently, December, was it?

Mr. CROWLEY. That is right.

Mr. BARRY. And it is obvious to you, and I think to most members of this committee, that when the act was passed to prohibit the payment of interest on demand deposits, Congress never intended that exchange would be interest?

Mr. CROWLEY. I think that is correct.

Mr. BARRY. So why should we sit back and compel the small bankers to go into court to have the courts decide what Congress was thinking of at the time, when we know ourselves we never considered the problem?

Mr. CROWLEY. I agree with you.

Mr. BARRY. We are faced with the issue for the first time, directly, now.

Mr. CROWLEY. That is right.

Mr. DILLWEG. Not only that, but there is the question of the burden of proof; when the small banker goes before the Board, he assumes the burden of proof.

Mr. BARRY. The examiner, in effect, tells the banker that he is guilty, and then the Board puts the burden of proof upon the banker to prove that he is innocent.

Mr. CROWLEY. That is right.

Mr. BARRY. So that the banker still must be the moving party.

Mr. PATMAN. My contention is that if the local bank should go into the local court, that would place the burden upon the Fed-

eral Reserve Board to sustain their action. Don't you agree to that, Mr. Crowley?

Mr. CROWLEY. But it would not work out in that way, in a practical sense, as far as the little fellow is concerned. The reason he is little is because he does not have the initiative and drive, or the money or anything else, to protect himself.

Mr. PATMAN. I am suggesting a way whereby there is no law violation and no prestige involved and no public relations involved. Mr. Crowley and Mr. Ransom can agree that their attorneys will go into court right here and ask the Attorney General to get a declaratory judgment.

Mr. CROWLEY. Congressman, I don't think on this thing here, Ronald Ransom and I could agree where to have lunch. [Laughter.]

Mr. PATMAN. Well, your lawyers would not have any personal feeling like that, and they could agree as to that declaratory judgment; they could ask the Attorney General to go into court and ask for a declaratory judgment. You can take it from me as being correct.

Mr. BARRY. Mr. Crowley, I know you are not a lawyer, but this language is rather clear. In June of 1934 there was a ruling of the Federal Reserve Board reading as follows:

"In conclusion it should be noted that, in any case in which a member bank pays or absorbs exchange or collection charges or other expenses in connection with any deposit payable on demand, the burden will be upon it to show that such payment or absorption of charges is not a device to evade the provisions of section 19 of the Federal Reserve Act forbidding the payment of interest on deposits payable on demand."

Mr. DILLWEG. That is exactly my point when I say that the little banker, when he goes before the Federal Reserve Board, has to assume the burden of proof.

Mr. PATMAN. You are not talking about the same thing I am. I am talking about going before the court.

Mr. BARRY. First, there must be a hearing, to start with.

The CHAIRMAN. Mr. Crowley, these regulations don't rule against the little bank at all, do they? But they rule against the bank that absorbs the exchange, do they not?

Mr. CROWLEY. But it affects the little bank.

The CHAIRMAN. And the real party at interest is not a party to the litigation at all. Is that not true? The little bank, whose exchange and collection charges are absorbed, would not be a party. It goes against the bank absorbing the exchange. It is still legal to make charges for exchange and collection charges, and it seems to me the real party at interest would not be before the court.

Mr. BARRY. That is right.

Mr. PATMAN. And that is why a declaratory judgment would be the most effective approach.

Mr. MONRONEY. I don't think you can get a declaratory judgment.

Mr. PATMAN. Let us ask the Attorney General.

The CHAIRMAN. Mr. Crowley, have you completed your statement?

Mr. CROWLEY. Yes; sure.

Mr. CRAWFORD. Mr. Chairman, I would like to ask Mr. Crowley a few questions.

Mr. Crowley, in the January 1931 issue of the American Banker, which you have probably seen, they show a very interesting statement of deposits and certain other figures of the 300 largest banks in the country. Then on page 2 of that issue they show an estimate of deposits of all banks as of December 31, 1943, \$120,000,000,000.

I was wondering if your December 31, 1943, figures have gone far enough to permit you to give us an estimate, as rough as you want to make it, of the total deposits of all banks as of December 31, 1943, as to demand and

time deposits, and the amount of deposits in the nonmember banks which you insure.

Have you any figures on that?

Mr. THOMPSON. We are not able to do that. We just have some very rough estimates of all commercial banks.

Mr. CRAWFORD. So, then, as of June 30, 1943, would be the latest figures we could get from you?

Mr. THOMPSON. Yes, sir.

Mr. CRAWFORD. Showing the break-down on those deposits?

Mr. THOMPSON. Yes, sir.

Mr. CRAWFORD. In your 1941 annual report, on page 70, you show table 24, number of accounts and average size, in insured commercial banks, special call dates, 1936 to 1941. And as of September 24, 1941, your report shows a total of 66,918,000 accounts. That is the latest published figure on that item; is it not?

Mr. THOMPSON. Yes, sir.

Mr. CRAWFORD. Would it be reasonable to assume that that figure, in the aggregate, is considerably greater today than it was at that date?

Mr. CROWLEY. I would think it would be fair to assume it has increased.

Mr. CRAWFORD. Would you mind explaining to the committee, as briefly as you like, the rough make-up of that figure? In other words, that does not mean 66,918,000 individual depositors; does it?

Mr. THOMPSON. No, sir. That is supposed to be a count of the individual accounts as they exist; so that if you have an account in your own name, if you had a joint account in your wife's name, and your wife had an individual account—that is, checking accounts—and you each had savings accounts in those same three names, that would be six accounts.

If you were a business concern and had accounts in 100 banks, that would be 100 accounts. If you were dealing with a branch bank and are a widespread concern and had an account in every branch, say, of the Bank of America, that would be four-hundred-and-some-odd accounts.

Mr. CRAWFORD. You have not made any studies at all showing the number of individual accounts; have you?

Mr. THOMPSON. We have made some estimates. We have gone into individual banks and studied that. I believe the figure is that this overstates the individual accounts by about 10 percent, in each individual bank, on the average. But that does not take into account the multiplication through the system by national accounts.

Mr. CRAWFORD. Then we probably would not have more than 65,000,000 depositors?

Mr. THOMPSON. Oh, I would say you have less than 50,000,000.

Mr. CRAWFORD. Less than 50,000,000?

Mr. THOMPSON. Yes; for the country as a whole, eliminating all duplications through the banking system.

Mr. CRAWFORD. In your 1941 annual report, Mr. Crowley, you show the board of directors of the Federal Deposit Insurance Corporation, yourself as Chairman, Phillips L. Goldsborough as Director, and Preston Delano, Comptroller of the Currency, as Director.

Mr. CROWLEY. That is correct.

Mr. CRAWFORD. That constitutes the present board of directors of the F. D. I. C.?

Mr. CROWLEY. That is right.

Mr. CRAWFORD. I would like to know personally if you are in a position to say whether or not your views, as expressed here this morning, are agreed to by the other directors, or are these strictly your personal views?

Mr. CROWLEY. I presume, Congressman, being the kind of an individual I am, that a large part of it is my own view. Insofar as Senator Goldsborough is concerned, Senator Goldsborough is a former Governor of Maryland, who served in the United States Senate, and he has been associated with me full



time. Senator Goldsborough, I am sure, subscribes to my theory.

Insofar as Mr. Delano is concerned, I think that the letter of the Treasury indicates Mr. Delano's feelings in the matter.

Mr. CRAWFORD. And when we refer to the letter of the Treasury, I assume it is the one dated January 29, 1944, which reads, in part: "DEAR MR. SPENCE: This will acknowledge receipt of the letter of January 17 from your committee asking for the views of the Comptroller of the Currency and the Treasury Department on H. R. 3956.

"The statutory prohibition against payment of interest on demand deposits is a wise provision. To exempt from that prohibition the payment of interest when in the form of absorption of exchange charges, as proposed in this bill, would intensify the abuses which have developed in overcompetition for correspondent bank balances. It would, moreover, further discriminate against small national banks which, under the law, as compulsory members of the Federal Reserve System are prohibited from making such charges on the great majority of their checks which are cleared through the Federal Reserve banks. Legislative approval of exchange absorption, such as contained in this measure, is not, therefore, in the interest of sound banking.

"It is our opinion that the bill should not be enacted."

Mr. BROWN. Who signed that letter?

Mr. CRAWFORD. It is signed by D. W. Bell, Acting Secretary of the Treasury.

From your statement this morning, I assume you do personally disagree with that general approach I have just read?

Mr. CROWLEY. Let me say this to you, that the Comptroller of the Currency is the policeman for the national-banking system. He represents his own national system. The State bank supervisors represent the State system. This does not affect the national-banking system, because, under law, very definitely they have certain practices they cannot do, that some of the State banks do enjoy. I have always been opposed to the national-banking system, writing the code and then saying to the State banking system "If you fellows are going to survive, you have to take our code."

Mr. MONRONEY. They are all members of the Federal Reserve System, are they not, so that their viewpoint would be the viewpoint of the Federal Reserve System?

Mr. CROWLEY. Yes.

Mr. CRAWFORD. There is quite a bit said in the discussions on this general subject, from December 10 to 20, inclusive; and there has been more or less said during the last few days about this squeeze play. I want to ask you this question: In view of the documented record which shows the great amount of attention given this question, presented by H. R. 3956, and from December 22, 1933, when this question was first raised, up to January 1944, do you feel that the contention can be supported that there was a squeeze play on the part of the Board of Governors of the Federal Reserve System, following the passing of our late, loved, and distinguished chairman, Mr. Steagall?

In other words, it seems to me that it is a part of this record that perhaps should not have been brought in here at all, and I want to have you express your views on it.

Mr. CROWLEY. Let me say this to you, that you cannot stop a fellow from thinking. If you go back to your record, the first letter was written sometime in August, and I think Henry Steagall was away a good part of the fall sick; and I think you will find the day after Steagall died was the date of one of the letters to one of these banks absorbing exchange. I think it is a fair conclusion that Steagall, had he lived, would have continued to do as he had always done, that is to fight any encroachment upon the State banking system. Certainly, whoever was handling the

affairs did some pretty good timing—and, if you want to, you can call it a squeeze play. And I won't change my statement on that, because after this thing lay dormant for 10 years, more or less, it has now been brought out at this time, when the amount involved did not warrant bringing it out; it has caused undue hardship and it has taken your time and it has taken my time and the time of a lot of people, in the midst of a war. And I think we have a lot of evidence that we will be glad to show this committee sometime, when you are studying the banking system, that a lot of men in this Government, in the banking business, are trying to nationalize this branch banking system and are trying to extend branch banking and are trying to control interbank balances. I just think this whole thing is a matter of timing.

Mr. CRAWFORD. Did the F. D. I. C. and the Federal Reserve Board hold a meeting on or about November 11, 1942?

Mr. CROWLEY. I wouldn't know, Congressman. That is a meeting of the Federal Reserve Board, you say?

Mr. CRAWFORD. With the F. D. I. C.

Mr. CROWLEY. Mr. Thompson says we did.

Mr. CRAWFORD. Was it at that meeting that the matter of bad banking practices, as related to this type of operation, was discussed, do you recall?

Mr. CROWLEY. If they say it was, then it was, Congressman.

Mr. CRAWFORD. I beg your pardon?

Mr. CROWLEY. If the Federal Reserve Board says we had a meeting at that time, I would be willing to accept that.

Mr. CRAWFORD. What I wanted to find out was whether or not you would hold that the practices engaged in by, let us say, this bank down here in St. Louis, which has been cited in the record at considerable length, was participating in bad practices—

Mr. CROWLEY (interposing). Let me say this to you, on that bank in Nebraska—and I don't know whether there was one in St. Louis or not. But there were one or two banks that I agreed were engaged in an unsound practice, and we did talk, I think, about trying to get them in for a conference and to see if we could not reason with them. I have always felt that it was wrong to legislate against the whole banking system or a whole industry because you could not control one individual.

Mr. CRAWFORD. What I was trying to do was to tie up some particular practice which came within the scope of the concept of that discussion held at the joint meeting.

Mr. CROWLEY. I think we talked about one or two banks there at that time. Anyhow, that had been discussed at different times with the Federal Reserve.

Mr. CRAWFORD. And the F. D. I. C. joined with the Board of Governors in a published statement of Friday, February 12, 1937, in which, among other thoughts expressed in that statement, we find this language.

Mr. SMITH. What are you reading from?

Mr. CRAWFORD. A joint statement issued by the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System, printed in the December hearings. It says:

"In view of the widespread differences of opinion in the law-making and administrative branches of the Government as to the intent of the law, and as a result of further consultations between the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System, their respective regulations relating to the payment of interest on demand deposits having been brought into uniformity by agreements adopted by the Board and by the Corporation, the definition of interest has been eliminated from regulation Q of the Board and from regulation 4 of the Federal Deposit Insurance Corporation, and paragraph (a) of section 2 of each regulation has been amended

by inserting after the first sentence the following:

"Within this regulation, any payment to or for the account of any depositor or compensation for the use of funds constituting a deposit shall be considered interest.

"The effect of this amendment is to declare the existing law, rather than to interpret and apply the law to particular practices. This will permit the general application by each agency of a uniform right to determine specific cases based upon the facts involved; it will also permit each agency to determine, with respect to cases coming before it, whether or not any practice involved in any such case is a device within the meaning of the statute employed by the bank to evade the prohibition of the law.

"The Board of Governors in its original definition of the term "interest" specified that such term should include the payment or absorption of exchange or collection charges which involved out-of-pocket expense. The present action of the Board of Governors removes this finding or specification from its regulation.

"Henceforth, under both regulations, the question of what in a particular case is the payment of interest upon a demand deposit, or device to evade the prohibition against the payment of such interest, becomes for both agencies a matter of administrative determination under the general law in the light of experience, and as specific cases may develop."

Now, having in mind the joint statement which I have just read, and the full statement that follows, of February 12, 1937, and then going directly to the case cited in the September 1943, Federal Reserve Bulletin, page 817, would you mind stating to the committee whether or not it is your contention that the case cited was not a violation of the law.

Mr. CROWLEY. Congressman, I want to answer that indirectly for you, if I can. It has been so long ago and I have been involved in so many things that I would like, if you don't mind, to let Mr. Brown or Mr. Thompson answer that for you.

Mr. FRANCIS C. BROWN. Mr. Crawford, we took the position that was not a violation of law, in conferences and in correspondence as well as in our opinion. I think Mr. Dreibeis testified to that yesterday.

Mr. CRAWFORD. That it was not a violation?

Mr. FRANCIS C. BROWN. We took the position that, in our opinion, absorption of exchange was not interest; and also, on the facts of the Lincoln case as outlined to us, substantially as set forth in their ruling, that in our opinion that was not a violation of the law.

Mr. CRAWFORD. You see, what confuses me, if it is confusion, is when I take that joint statement—

Mr. BARRY (interposing). Will Mr. Crawford yield for one question?

Mr. CRAWFORD. Wait just a minute, please.

When I take that joint statement, and then go to the statement issued by the F. D. I. C.—

Mr. FRANCIS C. BROWN (interposing). I can give you a copy of that, Mr. Crawford [handing paper].

Mr. CRAWFORD. And then going to the F. D. I. C. statement of December 6, 1943, in which it says:

"The Board is of the view that the absorption of exchange by an insured nonmember bank in connection with its routine collection for its depositors of checks drawn on other banks cannot be considered a payment of interest, within the terms of the interest regulations of the Federal Deposit Insurance Corporation, in the absence" and here is the important language "in the absence of facts or circumstances establishing that the practice is resorted to as a device for the payment of interest."



As I say, when you take the language in the joint statement, and the language in this statement which I have just read, and then apply to the September specific case what I have been attempting to ascertain from your attorney, Mr. Brown—and I would like to get your reaction on it—the question is whether or not you are in a position, speaking for the F. D. I. C., to enlighten this committee on what would be required in the way of questionable practices to make a case which would support, through the F. D. I. C., the facts or circumstances establishing a violation of the law.

Mr. FRANCIS C. BROWN. Mr. Crawford, I don't think you can have a violation arising out of a routine collection transaction. You might frame up a situation where you control two banks and you went to a correspondent bank and said "We will put a balance of each of our banks with your bank, and then we will run through some just perfectly abnormal transactions for the purpose of creating exchange"—and that might be a violation.

But I did not have any abstract, hypothetical case in mind, at the time we put that in my opinion. And that same reservation was put in the Board's memorandum at my suggestion, simply because we did not want to say that people could not devise a method of paying interest through the exchange rule. But I don't think you can have interest simply arising out of the absorption of exchange on a perfectly normal, commercial transaction; that is, where somebody buys something and issues a check on a nonpar bank, which is cleared and exchange is charged.

Mr. CRAWFORD. Mr. Chairman, I have one or two other questions, but I will yield for that one point.

Mr. BARRY. Mr. Brown, if the Federal Reserve Board and the F. D. I. C. got together and decided the absorption of exchange was interest, and vice versa, and the Congress had granted the power in the basic law and never contemplated exchange being interest, your ruling would still be unsound?

Mr. CROWLEY. That is correct.

Mr. BARRY. In other words, no bureau would have the right to construe the action of Congress.

Mr. FRANCIS C. BROWN. I think that is right, and if you will read the opinion in full which I submitted at the time, you will find we point out in my opinion you cannot differentiate exchange charges, or the absorption of exchange, from free service. If a man has a thousand dollar balance and gets more free service through a bank than if he had a \$500 balance, we cannot differentiate the absorption of this fixed cost from the absorption of exchange charges. They are both out-of-pocket expenses.

And I would like to point out also, Mr. Crawford, while on this point—

Mr. PATMAN (interposing). You say they are both out-of-pocket expense?

Mr. FRANCIS C. BROWN. Yes.

Mr. PATMAN. Is that correct?

Mr. FRANCIS C. BROWN. Why not? Any expense is out-of-pocket.

Mr. PATMAN. Well, why is it distinguished by being called out-of-pocket?

Mr. FRANCIS C. BROWN. I have not been able to define an out-of-pocket expense.

Mr. PATMAN. I thought that was something aside from normal operating expense.

Mr. FRANCIS C. BROWN. This is a normal operating expense. The bank has to pay postage, and the bank has to pay express charges. They have to pay telephone charges. Why should they not have to pay service charges which the other bank assesses on that collection?

In other words, your correspondent bank sets itself up as the institution which undertakes to collect the checks. Your individual goes to his bank and his bank sends the check to the correspondent bank. The cor-

respondent bank says "We will collect the check and make that good for you."

When they collect the check and the other bank charges exchange, it seems to me that is their expense, part of their business expense.

I would like to point out that in the 1936 definition of interest which was stricken out of regulation Q, there was an express provision that you could absorb taxes assessed on your deposits, and the Board has ruled that in the case of Michigan the taxes assessed on deposits could be absorbed by the bank, and that is not a violation of the interest regulation, or the interest law. I certainly cannot differentiate between the absorption of a tax, which is paid and which is levied upon the depositor, from a service charge which is levied as a result of that depositor's check going through a commercial transaction.

Mr. PATMAN. I agree with you, if both banks are in the same State. But suppose one bank is in Ohio and sends its deposits over to Michigan; then the Michigan bank would not be expected to pay the taxes, would it?

Mr. FRANCIS C. BROWN. Well, it is a personal property tax, is it not, Mr. PATMAN? It is levied on that property and it is levied on the person who owns that property, regardless of where it may be. If you have securities in California, they will tax those securities if they find out about them, regardless of where you may live.

Mr. DILWEG. Are you familiar with a ruling of the Board in 1934, Mr. Brown, when this statement was made? [Reading:]

"In another case there was also presented to the Board a question as to the legality of a practice under which member banks charged to their depositors the amount of exchange charges on checks received on deposit, except that, if the average daily balance of the depositor was \$1,000 or more, the banks absorbed the amount of such exchange charges."

Then here is a significant part of the ruling of the Board:

"The Board stated it was of the opinion that the absorption of charges in such circumstances was not an indirect payment of interest, since the amount of charges absorbed did not vary with or bear a substantially direct relation to the amount of the depositor's balance; and that accordingly the member banks were not prohibited from absorbing charges on such a basis in connection with balances payable on demand."

In other words, if I say "You must keep \$100,000 in my bank, and I will absorb the charges," that is perfectly all right under that ruling.

But if I say "I will absorb charges if you will keep a varying amount in my bank," that is illegal.

Mr. PATMAN. No; it is just the opposite, I think.

Mr. DILWEG. No; I don't think so.

Mr. PATMAN. The way I interpret that—and I would be in favor of voting for a bill carrying that provision in it—is that if there is no relationship whatsoever between the allowance of out-of-pocket expense and the balance normally carried, I don't think that would be a violation of law. But where there is a direct relation—

Mr. DILWEG (interposing). The bank says that you must carry at least \$100,000.

Mr. PATMAN. That is a violation of the law.

Mr. DILWEG. No; not under that ruling.

Mr. PATMAN. Yes; I think you have it backward, because where you must carry \$100,000 to get so much exchange charges absorbed, it occurs to me there is no escape from it; that it is just an evasion.

Mr. DILWEG (reading):

"If the average daily balance of the depositor was \$1,000 or more, the banks absorbed the amount of such exchange charges."

And that was determined to be a legal operation, by the Board.

They say—

"You must have on deposit so much money, and we will absorb charges."

Then it goes on to make this statement—and I repeat the Board's statement:

"The Board stated it was of the opinion that the absorption of charges in such circumstances was not an indirect payment of interest, since the amount of charges absorbed did not vary with or bear a substantially direct relation to the amount of the depositor's balance."

So I was not giving it backward.

Mr. PATMAN. It would go up and down, and they would absorb all charges. That is different from a case where, if you keep \$100,000 on deposit in this bank, this bank will absorb a definite amount of exchange charges for you. But if you keep half of that amount on deposit, they say, "We will absorb half of the exchange charges for you."

Mr. DILWEG. That is exactly what I said.

Mr. CRAWFORD. Mr. Chairman, I have two or three other questions, and I am through.

Mr. CROWLEY, do you have late figures showing the number of insured banks not members of the Federal Reserve System? The latest figures you have will be satisfactory.

Mr. THOMPSON. I am sorry. I did not bring the December 31 figures with me. The November 30 show 13,465 insured banks, including mutual savings banks.

Mr. CROWLEY. He wants the nonmember banks.

Mr. CRAWFORD. Have you the number of nonmember banks included in that?

Mr. THOMPSON. Yes, sir; 6,554 in the continental United States.

Mr. CRAWFORD. That is nonmember banks?

Mr. THOMPSON. Commercial.

Mr. CRAWFORD. Commercial, nonmember banks?

Mr. THOMPSON. Yes, sir. We have 180 mutual savings banks.

Mr. CRAWFORD. How many States have enacted laws calling for par clearance?

Mr. CROWLEY. Do you know, Frank?

Mr. FRANCIS C. BROWN. Mr. Crawford, I cannot answer that question offhand. I know Iowa did last year.

Mr. PATMAN. Was it last year? I thought Mr. Crowley said that was during the depression.

Mr. DREIBELBIS. It was effective July 1, last year.

Mr. CRAWFORD. First I think I voice the opinion of this whole committee, and certainly my own, when I congratulate you for your extraordinary management in protecting the earnings and capital structures of the insured banks. I have been in agreement with it 100 percent, as I have understood it.

Have you seen any evidence under the Iowa law or under any other State law which has thus far been enacted, of interference to any material degree whatsoever with the earnings of the insured banks which you have in Iowa and these other States where such laws might have been enacted?

Mr. CROWLEY. No; I don't know that we have had any evidence of that, Congressman. That, again gets back to my theory, that if the State of Iowa wants to change their banking laws, they have to assume the responsibility for doing so. I don't think the fact that Iowa changed those banking laws and went to par clearance indicates that all of the little banks in the State of Iowa were in full accord. You have been around the State legislatures a long time and you know how State legislation is put in the hopper and bankers wake up some morning and find it is all signed and sealed and delivered. But, in a period of time, it will be repealed if it is not all right.

Mr. CRAWFORD. In order that the record may be perfectly clear, I want to say I have



never seen a member of a State legislative body, and I am sure I have never spent as many as 20 days at a capital of any State or all of the States put together, during a session of the legislature. So I don't know anything about that, at all.

Mr. CROWLEY. All right.

Mr. CRAWFORD. If the Iowa law is the only one, and it became effective only last July, I should not think that would give you time to draw any reasonable conclusions on it, anyway.

Mr. CROWLEY. And they could be wrong, Congressman, being only one of the 48 States.

Mr. CRAWFORD. That is all I have.

The CHAIRMAN. If there is nothing more, Mr. Crowley, we are very glad to have had you. I want to say the way you have administered the affairs of the Federal Deposit Insurance Corporation has reflected some glory upon this committee, from which that law came. I think you have rendered great service to the Nation.

Mr. CROWLEY. Thank you.

Mr. PATMAN. Mr. Chairman, may I join you in your statement in the record on what Mr. Crowley has done through the Federal Deposit Insurance Corporation. But I would like to ask if the State supervisors have expressed themselves on this. Do you know?

Mr. CROWLEY. Some of them have. A great many of them have, Congressman. I don't know from what particular States.

Mr. PATMAN. I wonder if any member of the committee knows how many have and how many have not.

Mr. BROWN. Everyone in the South, and several in the Midwest. That is all in the record.

Mr. CROWLEY. For instance, Mr. Nelson, of Michigan, sent a letter which I saw; he sent it voluntarily on this, and I think many of the other States have joined in that.

The CHAIRMAN. This will conclude the hearings on the bill, then.

Mr. BILBO. Mr. President, Mr. Crowley has control of the 13,000 banks which represent 98 percent of the bank depositors in the United States. He insists that the passage of the Maybank bill, which now has been offered as an amendment to the pending crop insurance bill, is essential to the success, protection, and welfare of the small banks he represents.

I find that the Federal Reserve Board has enlisted in this fight the National Association of Credit Men, headed by Mr. Henry Heimann. That association, although it has nothing to do with the Federal Reserve System, the Federal Deposit Insurance Corporation, or any other banking organization, except as a business organization, has been very busy in circularizing not only the banks of the country but the Congress of the United States in reference to this matter. In order to make my remarks on this subject clear, I ask unanimous consent that the circular letter addressed to the Members of Congress by the National Association of Credit Men, New York City, dated February 29, 1944, be printed at this point in the RECORD, as a part of my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

NATIONAL ASSOCIATION OF CREDIT MEN,  
New York, N. Y., February 29, 1944.

H. R. 3956, S. 1642

To Members of Congress:

This organization, consisting of 20,000 manufacturing, wholesaling, and banking members, has throughout its half century

of existence sought in every way to develop a sound national currency and banking system.

Our membership, officers, and directors are seriously alarmed over the probable consequences of favorable action on the two pending bills.

Our opposition to these bills is based upon the following factors:

We believe that in the present situation section 19 of the Federal Reserve Act, as amended, and which reads: "No member bank shall directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable on demand," to be a sound provision, and in furtherance of sound banking. As long ago as 1933 the Honorable Senator CARTER GLASS stated that one of the real objectives of section 19 was to try to promote the further utilization of bank funds in the area in which they were located, and to prevent the excess accumulation of country bank funds in large financial centers where they were vulnerable to speculative purposes. We believe these companion bills, if passed, would defeat the objective of section 19. We believe it quite probable that the practice of charging exchange and of the absorption of exchange charges, both now very limited, would materially expand, and that this resolution would drive the opening wedge for the absorption of various charges in lieu of interest payments.

We believe the passage of this resolution would eventually nullify section 19 and by subterfuge permit a compensation for demand balances which, irrespective of how such compensation was disguised, is tantamount to the payment of interest.

We respectfully call to your attention the fact that national banks or members of the Federal Reserve System, be they State or National, are not permitted to make exchange charges. Among this group of banks are many smaller institutions which compete, in some sections, with the limited number of State banks which do make exchange charges. We also desire to call your attention to the fact that these smaller members of the Federal Reserve System, be they State or National, are profitably operated without benefit of these charges.

The practice of permitting banks to absorb exchange charges insofar as it affects commerce and industry will not, as some contend, inure principally to the benefit of smaller business institutions, since in practice the total amount of these charges absorbed is related to the size of the customer's deposit. This is class legislation for the benefit of relatively few banks located in relatively few States.

Our interest in this legislation is not a selfish interest. Many of our members are now benefiting from the absorption of exchange charges, but they recognize the eventual consequence of this practice and are favorable to its discontinuance.

We wish particularly to emphasize the great hidden danger to our national currency that could develop from the passage of this resolution.

Bank checks constitute the principal currency of our country. In fact, the ratio of bank checks in use to actual currency is better than 10 to 1. The practice of charging exchange for the clearance of a bank check strikes at the very fundamental of a free par circulation of this Nation's currency. Do not confuse exchange charges with service charges. Service charges are made against the bank's own customer. Exchange charges are made against the individual or organization to whom the bank's customer has given a check. When an individual or organization accepts a check in payment of a bill, he feels he has the right to assume he will receive the amount of money or credit called for on the face of the check. In most instances he does receive

the exact amount. In certain areas, and in a limited number of banks, an exchange charge is made and he does not receive the face amount of the check. When he does not, it is tantamount to discounting the currency of the United States; for, we repeat, in this country bank checks constitute our primary currency.

We are particularly concerned over these companion bills because their passage indirectly could—

1. Further expand the objectionable practice of making exchange charges;

2. Since members of the Federal Reserve System cannot make these exchange charges, unfair advantage would accrue to nonmember banks, and perhaps promote the withdrawal of member banks from the Federal Reserve System;

3. Cause a reversion to the old practice of circuitous routing of checks in order to find some bank along the line of collection which would be willing to make the check worth 100 cents on the dollar;

4. In practice it is not inconceivable that the value of a check would depend upon the bank upon which it was drawn, thus destroying the par acceptance, and free circulation of our bank-check currency; and

5. Develop further hoarding of cash.

This organization recognizes that the banking industry must have satisfactory earnings if it is to be maintained in a solvent condition. We therefore have never objected, and never will, to proper service charges as distinguished from exchange charges. We do, however, recognize that in matters of service charges the law of competition comes into play. The banking business in this sense is like any other business, in that there must be a sound need for the institution and a fair charge for its services. It cannot escape meeting these standards of value.

Finally, we desire to emphasize that although these bills deal directly with the question of an interpretation of section 19, their inherent danger is in the consequences of an interpretation that the absorption of exchange charges is not tantamount to interest. Such a conclusion will tend to destroy the function of our national currency, bank checks.

We repeat, our primary interest is in a sound banking system and the maintenance of a sound national currency. This has been our interest since we joined in an effort years ago to procure the Federal Reserve System. It is our only interest today. As previously stated, our viewpoint, if maintained, may temporarily bring added cost to some of our members, but our position we believe to be in the public interest.

We respectfully submit for your consideration these views as representing our best judgment based on 50 years of experience in the field of banking and credit.

Thank you.

NATIONAL ASSOCIATION OF CREDIT MEN.

Mr. BILBO. Mr. President, the Federal Reserve boys apparently hypnotized Mr. Henry Heimann, executive manager of the National Association of Credit Men, into dragging the association into a controversy which really concerns only Congress and the small businessmen who run community banks, on the one side, and the Federal Reserve Board and a few selfish large city bankers, on the other. In order to stir up the members of his association he relayed to them the same sugary arguments which have been widely advanced by the bureaucrats in the Federal Reserve Board who are defying Congress in their attempt to force 2,500 small banking concerns, scattered over 27 States, into the Federal Reserve System where they can be further regimented. The Federal Reserve crowd



have always been chummy with certain big city bankers, and they have gotten into their present mess by trying to help a few of their banker pals who wanted a regulation from the Board in order to keep them from losing business to a few wide-awake bankers in adjacent smaller towns. It is pretty nice to knock off a tough competitor by getting a Government agency to make a ruling which puts him out of business; but it is tough when you are the one who gets knocked off. I do not think many Senators will want to encourage our Government agencies to make rules of this character. The House of Representatives made it clear that they did not, by their overwhelming vote.

A few business concerns have opposed this legislation although the businessmen of this country, whose business operations are constantly being interfered with by Government regulations, should support it. Why should they support it? Because businessmen do not like unnecessary Government regulation, and this controversy presents Government regulation of the worst kind—regulation which Congress has never authorized, in fact, and which it has several times expressly refused to authorize.

The opposition talks about depreciated dollars, because, like sin, we are all against them. But defeating these bills, which he urges, means depreciating dollars which are now worth a full 100 cents. Here is how it works.

Say you run a business and your firm sells goods over a wide territory. You get checks on banks in a number of different States and you deposit them in your local bank. You are credited for the face amount of those checks—100 cents for the dollar—and there the transactions are closed on your books. But your bank's business deal with you commences where your deal with your customer left off. Your bank has to collect these checks from the various points on which they are drawn. Your bank is in this business and it has to incur many expenses in order to carry on this business. Among other expenses, it pays other banks for the service which they perform for it in the collection of those checks. You keep a large balance in this bank and at the end of the month you pay a service charge to your bank, depending on the activity of your account, if the earnings from your balance when invested have not been large enough to offset those expenses. But if your balance is large enough to offset the cost of handling your business and also give a profit to your bank, you do not expect to pay a service charge. Your banker is smart enough not to try to collect one. You are a good customer. He wants your account just the same as you want your own customer's business. Now along comes the Federal Reserve Board and says this cannot be done. They say your bank is paying you interest because it fails to charge back to you the service charges which it pays out to the other banks in handling some of your business. The service charges which the Federal Reserve Board objects to are called exchange charges, and there is a long story which does no credit to our

Federal Government behind the Reserve Board's fight against the little banks who insist on being paid for the service which they must perform in these check transactions, but which the Federal Reserve Board would like to make them perform for nothing.

So even though your bank is making a sizable profit out of handling your account, it now writes you a nice letter citing the Federal Reserve Board's ruling, saying: "We are sorry, but we now have to charge these expenses which we are put to to you; it is illegal for us to pay them. The Reserve Board says so." If this ruling stands, there is nothing to prevent, and there is a pretty good precedent to encourage, the Federal Reserve Board at some later date to compel the banks to collect from their customers other specified expenses to which they are put in running their business, such as rent, clerk hire, postage, telephone, and telegraph expenses. All of these would be dressed up under Federal Reserve guidance as additional service charges, which you would be required to pay regardless of the size of the balance you carry. How would you like to see that happen?

So now you have to pay a service charge to your bank which you never had to pay before. Why? Because the Federal bureaucrats say it is a bad practice. Has Congress said it is bad? No. Is it bad? No. The Federal Deposit Insurance Corporation, another Government agency which has a primary interest in protecting the depositors of this country, says that it is not only perfectly legal for your bank to pay these expenses, but that it is perfectly sound for it to do so. That is the reason I wanted to present Mr. Crowley's philosophy of the banking business at the beginning of my remarks.

The Federal Deposit Insurance Corporation is responsible for all of the real improvements in Federal bank supervision which have occurred since it was created in 1933, after our banking system had suddenly collapsed in the hands of the Federal Reserve Board, the agency previously supposed to keep our banks running. In other words, the Federal Reserve System had a very severe breakdown in 1933, and it is with bad grace on their part that they now speak in defiance of Mr. Crowley concerning a sound banking system, or what should be a sound banking system. They got so damnably sick that they had to call the doctor in 1933.

The Federal Deposit Insurance Corporation points out that the banks throughout the country have been absorbing these expenses for the past 100 years, including the past 10 years during which the statute prohibiting the payment of interest has been in full effect. The Federal Reserve bases its ruling on the 10-year-old interest law, but the ruling has been made effective only since January 1, 1944. The Maybank-Brown bills permit banks to continue paying these expenses as part of their operating costs, just as they have always done. It does not compel banks to absorb these expenses, but it lets them do so, as most of them wish to do. It frees them from a ruling which the banks cannot get rid

of without suing the Federal Reserve Board. Bankers do not like to get into a court tussle with their Government supervising agencies, even though most bankers who have made known their views to Congress think this ruling is an outrageous abuse of executive authority. Many bankers would like to continue doing business with their customers freed from this added regulation. Most businessmen would like to get rid of some of the Government regulations which have been heaped upon them in the past 3 years—many without any congressional authority.

Mr. President, I make the prophecy that before the expiration of the next Congress the opposition to the Maybank bill will be crying aloud against Federal regulation and the issuance of tantalizing orders, rules, and regulations which will become tantamount to law. Yet here is a proposition from a bureaucratic organization in defiance of the law, and in violation of the law. It jeopardizes the future welfare of approximately 2,400 small banks which accommodate the small business concerns of the country and the people residing in inland towns throughout the Nation.

It can easily be seen from what I have said that if you now find your out-of-town customer's dollar check worth only 99 cents in your bank, it is because of the Federal Reserve ruling requiring your bank to charge you the 1-cent cost which they have heretofore been willing to pay as an operating expense. Until the Federal Reserve put the heat on the banks these checks were generally worth par because the banks which are in the business of collecting the checks stood the cost of those charges.

If you want to have your customers' checks still handled at par—100 cents on the dollar—you really should vote for the passage of these bills instead of their defeat. If the bills are passed, the banks will pay the cost of collecting your checks. If they are defeated, you will pay those expenses. The real situation is just the reverse of the pretty picture which the opposition has painted, using the stuff fed to them by the boys at the Federal Reserve Board, whose job it is to sugar-coat this new pill which the public is being forced to take.

Behind all of this is a story you should know. It is a story of the struggle which the small, independently owned country banks have been waging for over 25 years to keep from being brought under the domination of the Federal Reserve Board. It is a fight by independent business to keep from being federalized. The Federal Reserve System primarily is meant for the city bankers. Country bankers for many years have preferred to use the privately owned and operated city banks as their correspondents rather than the Government-controlled Federal Reserve banks. The Federal Reserve Board has attempted many a squeeze play against the small bankers to force them into this System since they failed to succumb to their blandishments to join the System voluntarily. Twenty-five years ago the fight was the same as it is today. Once before, at that time the Reserve Board put pressure on the smaller bankers by



attempting to outlaw their service charges for exchange. Congress had never authorized the Federal Reserve Board to do this and the smaller bankers, being men of courage, took the issue to court. The Supreme Court of the United States, in a decision by the great spokesman for the independence of the individual—Justice Brandeis—held that the Reserve Board had no right to force those nonmember banks to discontinue their customary business charges for exchange. Following this onslaught, the Reserve Board went back to the more sensible method of cultivating goodwill with the small bankers. But most of those bankers viewed the approaches with great suspicion because they represented the independent segment of our banking system which wanted to preserve our State banking institutions.

There are some people in the Federal Reserve who would like to see the State system wiped out, and substitute a Nation-wide branch banking system operated under Federal charter. That would be nationalization and socialization of our banking system. It would be the kind of thing that took place first in Germany before she socialized her entire industrial structure. Many of us in Congress, who believe in our democratic institutions, believe that a strong State banking system with many independent units, locally owned, is the best practical buffer the businessmen of this country have against the planners of national socialism.

Some of the boys in the Federal Reserve, who never gave up hope of bringing the small bankers into subjection, finally woke up to the possibility of using the interest prohibition statute as a means of wiping out exchange charges, the principal sources of income of many small bankers. This would tend to force them into the Federal Reserve System.

So one of their bright young lawyers drew up an opinion holding that, for the member banks to bear the expense of collecting the checks against the small nonmember banks, would be the equivalent of payment of interest. This turned the trick, because the small banks are in the country and most of their customers do a lot of business in the cities where most of the banks have to be members of the Reserve System. So the Reserve Board forced the city bankers to charge these expenses back to their customers. This made a lot of trouble for the little banks and was intended to force them to stop making the charges. It disturbed their customer relationships. Part of the campaign was to stir up the credit men with letters, such as that written by the National Association of Credit Men. The real objective is to bring about a boycott of the small bankers. But this is a foolish thing to do because small bankers have to have revenue to operate. They are public-service institutions in their communities, and the very businessmen who are being asked to boycott them, in many instances have subscribed for stock to keep the banks operating and provide necessary credit facilities to keep their communities alive. During all the time the 12 Government-managed Federal Reserve

banks absorbed for their privately operated member banks the same kind of expenses which these privately operated member banks are now being prohibited from absorbing for their customers.

Bear in mind that the Federal Reserve banks are the banks for the city bankers, and that the city banks are the banks for the country bankers. This has placed the private member banks at a competitive disadvantage with the Government-run institutions and gives the Federal Reserve banks another weapon to force the independent unit banks to join the System. When government competes with private business it is tough enough for private business without being put under a tailor-made handicap. But the Reserve Board is the dealer in this game, so the country bankers had to take the cards which were dealt them. The cards were dealt from a cold deck.

Everything would have been smooth going for the Federal Reserve Board's plan had it not been for three circumstances: The first was that the small bankers were smart, as well as courageous, and many of the larger bankers were sympathetic to their position. They refused to take the Reserve Board's ruling lying down. The second was that Congress protested the arbitrary ruling to force the small bankers into line. Congress had not authorized it, and refused to uphold the Reserve Board in a ruling really regulating exchange charges under the pretense of regulating interest, and the third circumstance was that the Federal Deposit Insurance Corporation, which has the direct financial responsibility of keeping those small banks in sound condition, and is the only Federal agency which supervises those institutions, held that the Reserve Board ruling was not only unauthorized by law, but that it undermined the banking structure of the country.

The Federal Deposit Insurance Corporation knew the small banks would not be able to operate without these exchange service charges. It knew that they could not increase their customer service charges, as their customers are already paying service charges as high or higher than the standard service charges in vogue throughout the country. It knew that these banks have different operating problems from those of the city banks—and this is something that the Reserve Board apparently did not know unless it did not care. The problem of these banks is simply that of locally owned public service institutions, serving communities which otherwise in many instances would not have banking service. They have to keep large sums of cash immobilized in their vaults or as deposits in city banks to take care of their customers' city needs—larger sums than the city banks which have ready access to security markets and money centers are required to keep. The city dweller who can get his check cashed at any hour of the day does not have to carry as much cash in his pocket as the man who has to drive 30 miles to town to get his check cashed. It is the same thing with banks. Furthermore, these country bankers could not shift their customers' cash day by day into short-term

governments as the city bankers readily do. The Federal Deposit Insurance Corporation has studied these banks ever since it was created in 1933. It has made real progress in bank supervisory methods and has instilled lifeblood into our decadent bank supervisory system which went to seed in 1933 because of neglect and lack of understanding on the part of the Federal Reserve Board.

So Congress stepped in and the House of Representatives passed the Brown bill, H. R. 3956, which simply reversed the Federal Reserve Board's ruling. This bill was passed by a wide margin—about five to one. It was so wide that the opposition to the bill couldn't even muster enough votes to get a roll call and for that reason there was not an official count of the votes. The issue was not whether par clearance was desirable or undesirable. The Reserve Board always contended that its ruling was not for the purpose of enforcing par clearance, but to enforce the interest statute. But Congress knew differently and letters such as that sent out by Mr. Heimann clearly show that the real objective is par clearance and not interest regulation. Thus, the issue before Congress was whether the bureaucrats should usurpate or Congress should legislate.

Now the issue is not currency depreciation against 100-cent dollars. The issue is solvent banking with exchange charges against no banking for many communities if exchange charges are outlawed. Exchange charges are not growing as a few opponents of this bill have claimed. They have steadily decreased for over 25 years because of natural economic forces. I believe that until all bank service charges are brought under Government regulation, the natural forces should be allowed to deal with exchange service charges as they do with all other forms of service charges, without bureaucratic interference. The total amount of exchange charged in this country is not over \$3,000,000 to \$10,000,000 a year. This is a small fraction of the \$2,000,000,000 annual operating revenue of our Nation's banking system which today has deposits over \$100,000,000,000. The banking system in the future as in the past can well absorb the cost of collecting these checks and in so doing it is not subsidizing the small bankers because the small bankers are forced to keep over \$700,000,000 of their funds on deposit in big city banks which invest this money and at an average investment return of 1 percent, receive \$7,000,000 annually as income, which is more than the amount of exchange they have ever absorbed.

Furthermore, some of those who opposed this bill are ignorant of the law when they state that national banks or member banks of the Federal Reserve System be they State or National, are not permitted these (exchange) charges. This statement of the law is wrong. Ever since 1917 both National banks and State banks, members of the Federal Reserve System, have been authorized by Section 13 of the Federal Reserve Act to collect exchange charges on all remittances or clearings through the private banking system and many of these banks



have collected and now collect these charges. The only restriction is that these charges may not be collected from the 12 Government-controlled Federal Reserve banks which do not directly serve the public. Here again the Government institution has been favored over private business. The exact language of the law on this question is as follows:

SEC. 13. Any Federal Reserve bank may receive from any of its member banks, and from the United States, deposits of current funds in lawful money, national bank notes, Federal Reserve notes, or checks, and drafts payable upon presentation, and also, for collection, maturing notes and bills; or, solely for purposes of exchange or of collection, may receive from other Federal Reserve banks deposits of current funds in lawful money, national bank notes or checks upon other Federal Reserve banks, and checks and drafts, payable upon presentation within its district, and maturing notes and bills payable within its district; or, solely for the purposes of exchange or of collection, may receive from any nonmember bank or trust company deposits of current funds in lawful money, national bank notes, Federal Reserve notes, checks and drafts payable upon presentation, or maturing notes and bills: *Provided*, Such nonmember bank or trust company maintains with the Federal Reserve bank of its district a balance sufficient to offset the items in transit held for its account by the Federal Reserve bank: *Provided further*, That nothing in this or any other section of this act shall be construed as prohibiting a member or nonmember bank from making reasonable charges, to be determined and regulated by the Board of Governors of the Federal Reserve System, but in no case to exceed 10 cents per \$100 or fraction thereof, based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise; but no such charges shall be made against the Federal Reserve banks.

Practically every member bank in the country charges exchange for remitting in settlement of out-of-town clearings sent in direct to the bank. The charge is frequently omitted as a matter of reciprocity between banks having frequent clearings between one another.

Time and again it has been charged by the opponents of the Maybank bill that it discriminates against member banks of the Federal Reserve System, because it is said they cannot charge exchange while nonpar banks can and do so. This is the rankest sort of misrepresentation and the answer is plain to anyone who can read the English language and who will take a minute to read the Federal Reserve Act.

Section 13 of the Federal Reserve Act specifically, expressly, and in plain English words authorizes Federal Reserve member banks to charge exchange. Here are the exact words of the statute:

Nothing in this or any other section of this act shall be construed as prohibiting a member or non-member bank from making reasonable charges \* \* \* for collection or payment of checks and drafts and remission therefor by exchange or otherwise.

The statute goes on to say that the Board of Governors shall determine and regulate the charges and also says that the charges shall not exceed 10 cents per \$100 or a fraction thereof based on

the total of checks and drafts presented at any one time.

That is exactly and precisely how the nonpar banks charge exchange. They, too, charge exchange for collecting and paying checks and drafts and remitting therefor; and they, too, have a maximum charge which does not exceed one-tenth or one-eighth of 1 percent.

Now this statute which permits member banks to charge exchange goes back to 1917. It was an amendment to the Federal Reserve Act passed in 1917, and it is known as the Hardwick amendment. When the Hardwick amendment was up in 1917 the provision allowing exchange to be charged was adopted by the Senate as an amendment to a then pending bill. Because of the Senate amendment, the bill was sent to conference. The House agreed to the conference and the House conferees were specifically instructed by a motion passed by the House to agree in the conference with the Senate's amendment allowing banks to charge exchange. In other words, the managers on the part of the House were instructed by the House to agree in the conference to the Hardwick amendment.

In conference and at the very last minute, the conferees added to the Hardwick amendment the phrase which now appears in the law at the end of section 13, which says that "No such charges shall be made against the Federal Reserve banks." The reasons given at that time for tacking on this rider were set out in a letter sent to Congressman CARTER GLASS by Governor Harding of the Federal Reserve. He suggested that the Hardwick amendment be modified so that it would prevent exchange from applying to transactions with the Government. In other words, the tacked-on proviso was intended to save the United States Government money in connection with its financial transactions.

When the conference report came back to the House with the tacked-on rider, the change occasioned considerable debate by the Members of the House who contended that its Members had exceeded their authority and had violated the instructions which they were given. The late Congressman Pat Harrison, of Mississippi, strongly criticized the House conferees for what they did and charged that under that tacked-on provision, the Federal Reserve Board "could undo everything we propose to do by the amendment." In other words, he stated that the tacked-on rider practically emasculated the Hardwick amendment which the House managers had been instructed to accept. He further went on to say, "There can be no doubt that the Federal Reserve Board wants the power to destroy the right of member banks to make these exchange charges, and it is wrong to give the Federal Reserve Board authority so broad that it may defeat the intention and will of the House, and that is what the managers on the part of the House have done."

The nonpar bankers, however, were deceived by being told that the rider would not affect their rights but merely was put in there to save the United States Government from paying exchange

charges on its transactions which were quite large at that time, due to the Liberty bond drives. In fact, the nonpar bankers accepted the rider because the general counsel of the American Bankers Association in a formal opinion told them that the amendment even with the rider would permit nonmember banks to charge exchange on collections which the Federal Reserve banks were handling in their customary agency capacity as distinguished from those which they were handling in an ownership capacity. Congressman CARTER GLASS tried to justify the action of the House managers in accepting the rider despite the specific instructions of the House to the contrary, by trying to throw the blame therefor onto the Senate managers and by referring to Federal Reserve Governor Harding's letter concerning the position of the United States Government in connection with its Liberty loans.

The nonpar bankers accepted the rider in good faith, accepting the reasons which were offered at that time for the rider. The deception, however, became complete when the Attorney General of the United States ruled in 1918 that the opinion of the American Bankers Association's general counsel was not sound and issued an opinion to the contrary so that the nonmember banks were prohibited from charging exchange not only on collection charges owned by the Federal Reserve banks but also on those which they were handling in an agency capacity. Thus, the banks were deprived of the clearing facilities of the Federal Reserve banks for checks drawn on nonpar banks and the emasculation of the Hardwick amendment which both the Senate and the House passed and the President signed became complete.

As a practical matter and as a factual matter, every banker will admit to you as the opponents to this bill admitted at the hearings that member banks do charge exchange. For exchange is charged on all checks that come to them except from the Federal Reserve banks.

Thus, the opposition's whole argument collapses like sand running through your fingers, the law being exactly contrary to their claims.

Sound banking can be assured only by the passage of the pending bills, because they will relieve these banks from the pressure to discontinue a source of income which they cannot replace but which they must have in order to operate without loss. Your business will not profit if many small rural communities of this country are deprived of banking service. The deposits which these banks carry are sufficiently profitable to the private banking system of this country for it to stand these expenses instead of milking the public for them. To say that our banking system or the Federal Reserve System is jeopardized in the slightest degree by permitting banks to run their business without regimentation from Washington as to the character of the service charges which they can levy is to appeal to fear and not to reason.

Some firms have been urged by the Reserve Board to tell their customers that they are not accepting their checks on



any nonpar bank. This is a stimulated boycott of small business. It is the kind of thing that I do not like to see happen in this country—to have one group of businessmen start a boycott against another. It is a tragedy to see such a boycott started by one of our big Government bureaus. The Federal Reserve Board may make it tough for the small banks by stimulating this boycott among commercial businessmen, but it is going to be tough on their customer relationships as well. I say to you Senators do not be drawn into a campaign to uphold a Federal agency in regulating business which Congress has not authorized merely because it does not affect your business. You will merely be undermining our constitutional system of government. Any step of this kind will boomerang against the businessmen who started it, because if one agency can make illegal rules affecting one group of businessmen, another agency can make more rules affecting another group and the latter group may include the very men who are against this bill. Even though a few constituents are against exchange charges think straight on the principal question which is not exchange charges, but abuse of governmental power. That is the only issue.

Mr. MAYBANK. Mr. President, I desire to state that the time which remains for the proponents of the amendment has been allotted as follows:

Senator STEWART, 5 minutes; Senator PEPPER, 5 minutes; Senator RUSSELL, 10 minutes; Senator BANKHEAD, 5 minutes; Senator GEORGE, 5 minutes. That will take up the time which has been allotted to the proponents of the amendment.

As there are 1 or 2 extra minutes, if I may be permitted to do so, I should like to read a telegram which is addressed to me, as follows:

ATLANTA, GA., December 13, 1944.

Senator BURNET R. MAYBANK,  
Senate Office Building,

Washington, D. C.

When I appeared before the Senate Banking and Currency Committee yesterday a Senator questioned my statement that member banks are now absorbing exchange. I have investigated further and am reliably informed banks in the following and probably other cities are now absorbing exchange namely, Nashville, Memphis, Louisville, Houston, Fort Worth, Shreveport, Jackson, Meridian, Baton Rouge, and Palm Beach. Please read this telegram to the committee and insert in the RECORD.

SHERMAN DRAWDY.

Mr. President, in short it appears that the F. D. I. C. says that the present practice with regard to exchange should be continued and the Federal Reserve Board says that it should not be. Certain banks believe that the Federal Reserve Board is wrong, and do not believe in government by order, so they continue to absorb exchange. This they believe to be legal.

Mr. STEWART. Mr. President, I merely wish to say a word or two. I chiefly want to place myself on record as being in favor of the Maybank bill or amendment as it is now before the Senate and as being opposed to the so-called regulation Q.

I think, Mr. President, regulation Q is a specimen of arbitrary action on the part of those responsible for it, the same type of action as we have seen evidence of in various departments of the Government within the past few years. It is almost the equivalent of legislation itself. I mean to say that the Federal Reserve Board, which is responsible for this arbitrary action or ruling, is virtually entering the field of legislation. That Board was fully aware that the Congress has in the past been opposed to the passage of such legislation as would declare the charging of exchange on checks to be an item of interest within the purview of the pertinent provision of the Federal Reserve Act.

The passage of the Maybank bill or the adoption of the pending amendment will, I presume, prevent the enforcement of regulation Q. I say "I presume"; I thought before the regulation was adopted that the Federal Reserve Board had sufficient respect for Congress to justify the belief that they would follow the policies which Congress had laid down, and not undertake to make such a strained construction of the law as they appear to have tried to do in this case. I think it will be made somewhat plainer if the pending amendment can be adopted, that Congress does not intend that regulation Q shall be put into effect and many of the smaller banks of the country destroyed and the existence of others jeopardized.

As to Tennessee, I should like to read an excerpt from the testimony the other day before the Banking and Currency Committee by Mr. Clark, the superintendent of banks of my State:

Tennessee has 222 State-chartered banking institutions, 161 of which charge exchange under the authority granted them by the law of Tennessee. These institutions are known as nonpar, nonmember banks. They are located in the small towns of the State and they serve the communities along with their churches and schools. Approximately 95 percent of these banks afford the only banking service available in their respective towns and villages. An analysis of the earnings reports of these banks shows that 84 percent of the net income of the Tennessee nonpar country banks for the year 1943 was represented by exchange and service charges. Without this source of income, 33 of these institutions would have had an operating deficit or a loss for that year, and a greater number would have shown earnings in an amount less than \$1,000 for the entire year.

So, Mr. President, this is a very serious matter. It is an effort to change the system which has been built up throughout the years; it is an effort completely to turn around and face about, so to speak.

I could say more on the subject; a great deal has already been said and much more will be said, but with these observations I think I shall content myself, and say that I hope the Maybank amendment will be agreed to by the Senate.

Mr. RUSSELL. Mr. President, I desire to address myself very briefly to the pending question. From having listened to the discussion on this floor yesterday by those who are opposed to the so-

called Maybank amendment one would think that something entirely new was being thrust upon the banking system of the country which endangered the future soundness of our banks.

The distinguished senior Senator from Michigan [Mr. VANDENBERG], with much more heat and vehemence than accuracy, went so far as to designate the exchange system and the absorption of exchange as a new device, and then he proceeded to indict himself for being an expert in banking and plead guilty to the charge. I cannot accept expert testimony of that type, even though I do not pretend to be an expert, when I know as an historical fact that the charging of exchange or the absorption of exchange are banking practices which are as old as commercial banking itself. The issue here is not as to whether something new is being engrafted on to the banking system of this country. The question which is being presented here in behalf of a group of small banks is as to whether they are to be crucified and federalized by an edict issued by the Federal Reserve Bank Board. That is the issue.

It has been said that this is a controversial question. It is a controversial question; it is a controversy which has raged in the United States for almost half a century. Since I have been a Member of this body, which is not so long a time, there have been two big banking fights here as to whether or not we should enforce par clearance on all the banks in the United States, and this is a part of that fight. The Federal Reserve Board having failed to persuade the Congress to give them these powers, comes here now under what I view as a wholly unwarranted construction of law, and attempts by an interpretation of a congressional act to enforce the powers which the Congress denied them.

Exchange was charged and exchange was absorbed by the banks a long time prior to 1933. It was the custom and practice from 1933 down to 1943, and the Federal Reserve Board, despairing of getting congressional action which would be damaging to an infinitesimal number of banks of this country, so far as deposits are concerned, and in a way still further to promulgate their desire to incorporate all banks into a federalized system, and to break down the dual system of banks, are now undertaking to enforce this order. The question is not as to something new we are going to do to the banking interests, the question is whether or not Congress is going to proceed in an orderly manner to control the question of par clearance, or whether we are going to let the Federal Reserve Board do it by this regulation they have issued.

Mr. President, in this country we have two great divisions of government which have to do with banks. We have our Federal Deposit Insurance Corporation, which organization is interested in every public bank in the United States, whether it be State or whether it be National. That Corporation is presided over by Hon. Leo Crowley, an able administrator, and, for a bureaucrat, a man who



has shown an intense recognition that the Congress does exist, and who seems to be willing to let Congress legislate in vital matters like that before us. The other division is the Federal Reserve Board, which has control of and responsibility for the members of its own System, and this Board is constantly reaching out for power, and seeking to exercise influence over all the banks in this country.

Senators need not mistake the fact that the question of the dual banking system, the question whether the State banks ought to be permitted to exist, the question of branch banking, as well as the question of the life and death of a number of smaller banks, are all wrapped up in the issue which is presented to us here today. For my part, I am willing to accept the statement of the Honorable Leo Crowley that no law conferred upon the Federal Reserve Board any power such as that they attempt to exercise because I can find no such law, and I can find no custom or practice of the Federal Reserve System in the past, which would justify them at the late date of September 1943 undertaking to change the system, and impose, indirectly by a flank attack on the smaller banks, what the Congress had twice denied when banking legislation was pending in these Halls.

The smaller banks are merely asking that the system as it obtained prior to September 1943 be allowed to continue to operate until the Congress of the United States—the people's representative—themselves see fit to address themselves to this subject, and to pass some law which would regulate the system of the absorption of exchange and the question of charging exchange.

We hear much about the small businessmen in this country. Senators take the floor and pour out gushing words of sympathy for small business. In the matter which is pending before us there is involved the true segment of small businessmen of our country—the smaller banks—who ask that they be not required to change their methods and practice in banking—the operation of their business—unless it be done at the behest of the Congress of the United States.

I say, Mr. President, that there is every justification for approving the Maybank bill, now pending as an amendment. Instead of striking down or endangering the entire economic system, as has been charged by some of those who are opposing the pending amendment, it merely leaves the banking system in the status and in the condition in which it has been since the beginning of the operation of commercial banking.

These little banks are entitled to the relief sought; they are entitled to an opportunity to present their cause to the Congress of the United States. I was amazed to hear the argument made that because only 2 percent of the banks were involved it did not make any difference whether we legislated for them or not. Where have the rights of minorities in this country gone, where have the rights of small business in this country gone, if 98 percent of the business is to be permitted to extinguish the life of the other

2 percent without the Congress of the United States passing a law under which the defendants are convicted and executed?

The whole question of small business and the future of small business is bound up in this proposition. The regulated is a step forward in federalizing all the banks, and it would result in crucifying the smaller banks, which are dependent for their maintenance and for their operation upon the absorption of these exchange charges.

The argument has been raised by the able Senator from Ohio, and perhaps by others, that the measure should not be taken out of the hands of the Banking and Currency Committee in any such summary manner. I submit, and every Member of the Senate knows it is a fact, that there is nothing unusual in taking a bill that is pending in a committee and offering it as an amendment to some other proposition. The mere fact that hearings happen to be in progress at this time cannot alter that custom and that practice. It has been followed innumerable times. A legislative proposal separate and of a distinct character has been pending in a committee, but when it seems that it could not be considered otherwise in the Senate, it has been offered as an amendment on the floor of the Senate. It may not be a good practice, but it would certainly not be a great consolation to the little banks whose lives as businesses are involved in the pending amendment, to get a New Year greeting telling them that the Banking and Currency Committee had concluded hearings on their bill just as the Seventy-eighth Congress was dying.

The able and diligent Senator from South Carolina has made every effort, in and out of season, and some of us who are interested in the measure have supported him as earnestly as we could, to see that the Committee on Banking and Currency did have a hearing, and finally a hearing is called just as we are getting ready to adjourn and return to our homes, and because that hearing has been called, we are told the pending amendment should be defeated. I appeal to those interested in the dual system of banking, and those who believe in small business, to help us do justice by restoring the status quo of September 1943.

The PRESIDING OFFICER (Mr. ELLENDER in the chair). The Senator's time has expired.

Mr. TAFT. Mr. President, will the Senator from Georgia answer a question in my time?

Mr. RUSSELL. I shall endeavor to do so.

Mr. TAFT. Does the Senator claim that under no circumstances can the absorption of exchange be a payment of interest?

Mr. RUSSELL. Oh, no. Of course it could be drawn out to where it would amount to that; but the Senator is not undertaking to define the absorption of exchange and what exchange is. The Senator from Ohio is taking the position that the Federal Reserve Board, in the absence of legislation from Congress, has the right to declare a practice of

50 years' standing as being the payment of interest, when the Congress has had opportunity after opportunity to legislate upon the subject and has never done so.

Mr. TAFT. I do not understand the Federal Reserve Board has done that. I do not understand they have done any more than the F. D. I. C. has done; that is, make a regulation providing that if this practice is resorted to as a device for payment of compensation to a depositor for the use of his funds, then it is an indirect payment of interest, and in a particular case they ruled that the evidence showed that it had been used as a device for the payment of interest, for compensation for the use of funds. There is no regulation beyond that. If they attempt to stop the practice, it seems to me they have to bring suit and prevent the bank from doing it. There is a penalty involved. It seems to me the amendment proposed makes the payment of exchange legal under any circumstances, even though it is used as a device for the payment of interest.

Mr. RUSSELL. Mr. President, the amendment as proposed perhaps in some circumstances might have that result, but Congress can cure this matter without permitting the Federal Reserve Board to stifle the life of a number of small banks which are important to the agricultural life of this country.

Mr. TAFT. I should like to say that I question the Senator's statement in that regard. After all, this is a method of charging the depositors a service charge, and it seems to me far more reasonable to charge the depositors directly that service charge and raise the same amount of money than it is to charge, in effect, the man who gets the check.

Mr. RUSSELL. Yes. Of course, the Senator from Ohio knows that service charges in one form or another are made by all the banks, including the Federal Reserve System members.

Mr. TAFT. Yes.

Mr. RUSSELL. And that could be in the nature of an interest charge. But the Senator from Ohio and the Federal Reserve System are not concerned with that type of service charge which operates wholly within the bank. What they are doing is to pursue a course which is calculated to federalize the banking system by bringing all the banks into the Federal Reserve System.

Mr. TAFT. I do not agree with that statement at all. I do not see why it tends to bring the banks into the Federal Reserve System. It might conceivably have some effect in forcing a clearance system, but that does not necessarily bring them into the Federal Reserve System. In fact many of the smaller banks are ineligible for the Federal Reserve System today.

Mr. RUSSELL. Yes; I am aware of that, but a number of them are eligible, and the Federal Reserve System has conducted a threat campaign ever since its creation to endeavor to bring all the banks of this country who are eligible within the control of the Federal Reserve System, and if this is not a movement in that direction, by eliminating one of the reasons why the banks have



not heretofore joined, why then I am unable to understand it.

The Senator from Ohio says that the decision was only made in the case of one bank; that the Board contended that the absorption of the exchange in that case was a payment of interest. That might be true, but the Senator knows also that the word went out from Federal Reserve headquarters here in Washington, down through the entire Federal Reserve System, that they had to cut out the absorption of exchange, because in any guise the Board would prevent it and would penalize the members of the Federal Reserve System who participated in the absorption of exchange, whatever might be its amount.

Mr. TAFT. I do not think anyone can question the regulation. The Senator is simply saying that the Federal Reserve System is interpreting this regulation in an incorrect manner. If it is doing so, I do not see why the courts are not capable of determining the meaning of the statute and of the regulation. The Federal Reserve System has not assumed to make a regulation which says that this is an illegal practice.

Mr. RUSSELL. I understand it is an interpretation which they have undertaken to issue to take the place of law. What I was beginning to say, in answer to the Senator's question, when he answered his own question himself, was that word went down through all the Federal Reserve banks, through the entire System, that the Reserve banks could not deal with these small banks any longer on the basis of absorption of exchange. The Federal Reserve System may win a temporary victory here today by referring to the fact that banks having 98 percent of the deposits of this country are in favor of this System, but the word that went out from the Federal Reserve System will be like the word that went out from Shushan, the palace, that Mordecai, the Jew, should die; they are building a gallows here on which they will eventually hang, in my judgment, when the people of this country, who are not in favor of control by the big banks, see what is really being done to the dual system of banking in the United States, and the spread throughout the country of a complete system of branch banking that will follow if all the small independent banks are dried up.

Mr. TAFT. But the Senator should know that in my State all the small banks, the small-business men, are against the bill which is now offered in the form of an amendment. The condition the Senator states is merely a local situation in a limited number of States, and so far as I am concerned, far from it being a fight between large and small banks, it is a fight in behalf of all the banks of my State against the bill itself.

Mr. RUSSELL. Yes; I know. I appreciate that the Senator has permitted me to speak in his time. If I had more time I would have adverted to the many references which have been made to the tremendous number of telegrams which have come in. Of course, when the Federal Reserve System, as powerful as it is, puts on a campaign like they have at the present time, they, through the control

of the State banking associations and others can flood their Senators' offices with telegrams.

Are we to legislate here on a question that involves the right of a minority of the banks of the country, solely and exclusively on the number of telegrams and the opposition of the banks that are members of the Federal Reserve System, or that are under obligation to the Federal Reserve System? We are insisting on the rights of the minority who are not in the Federal Reserve System, and who are not controlled or whose spokesmen are not under the control of the Federal Reserve System.

Mr. TAFT. The most effective witness I heard was a small banker from Beatrice, Nebr., who was not a member of the Federal Reserve System, who was operating a par bank, whose argument was that it was the only proper way to run a bank; that he had succeeded where others had failed, because he did run a par-clearance bank, and had given up the practice of nonpar clearance which existed when he entered the business. He was the most effective witness I heard. He was a small businessman.

I do not say that the number of telegrams is to be considered as conclusive; I never made such an argument; but, inasmuch as the committee had no opportunity to make a report, I thought those facts ought to be before the Senate.

Mr. RUSSELL. I doubt not that the witness described by the Senator made a profound impression, because he is the exception that proves the rule that nearly all the small independent bankers are opposed to this interpretation of the act of Congress as wholly unwarranted.

Mr. BANKHEAD. Mr. President, of course, within 5 minutes it is impossible for me to undertake a thorough discussion of the issues involved in this measure, so I shall confine my remarks to one phase of the matter. I shall discuss a subject which has been talked about so much within the last few years, but about which very little has been done, and that is rule by bureaus.

Since 1935—at least that far back—the Federal Reserve System has been endeavoring to establish the rule laid down in regulation Q. They have known during all that time that the smaller banks and their friends resisted their right to put into effect any such regulation. What have they done about it? Have they ever come to the Congress of the United States and asked to be allowed to do that which the opponents said they had no power to do? No. They have been here when other measures have been under consideration during that time. They could have put this program into numerous bills they have presented to Congress, and secured its adoption. But they dared not come here and ask in an open aboveboard way for this power to oppress the smaller banks.

What is interest, Mr. President? This measure, as can be seen, merely provides that the present law shall not be deemed to prohibit the absorption of exchange or collection charges by member banks. It is proposed to establish that rule by regulation Q, as follows:

No member bank shall directly or indirectly by any device whatsoever pay any interest on any deposit which is payable on demand.

The Board says it has the right to define what is interest under that section, and that is the section from which it claims to obtain authority for the regulation promulgated by it.

What is interest, Mr. President? Who does not know the common understanding and acceptance of the word "interest"? Is interest a service charge made in the regular course of events, not made temporarily, not made because of some expediency, but made over 100 years in the due course of banking business? Is interest something which has always been classified and termed and recognized as a service charge, an exchange charge, a charge for doing the work necessary to collect an item, a check, we will say, for some other banker or some customer, or perhaps a charge for sending out a messenger, the payment of postage, the use of stationery?

Now, at this late date, afraid to come to Congress, the Federal Reserve Board issues a fiat—in effect, it enacts a law—saying that this practice shall be stopped, because it is said to be equivalent to the payment of interest. In its might and power, the Federal Reserve Board calls it an interest charge. That is an absurdity in the mind of every practical and understanding man in the country. The Board engages in a subterfuge to claim power which it does not possess, and which it dared not use until now, after the program had been in operation all these years, and after such authority as the Board has on the subject was vested in it many years ago.

I submit, Mr. President, that the Federal Reserve Board should not be permitted to affect the very lives of so many small banks, endanger their credit, and threaten the security of many depositors. When Congress is in session most of the time, the Federal Reserve Board should not be permitted to usurp the function of Congress by issuing decrees. It should be required to do as other agencies must do under the orderly processes of government.

As has been stated in this debate, the Board has a friendly committee in the Senate. Long ago it could have brought to the attention of Congress what it desired to do. Instead, the Board has asserted its own power to do something which Congress has not been willing to do. When the Board first attempted to put its rule in effect, it was bitterly resisted by Members of the Senate and of the House, indeed, so strongly resisted that the effort, made in 1935, 9 long years ago, was abandoned. A great man in the House of Representatives, who was an outstanding friend of the small bankers of the country, made the fight against the effort in 1935, and the Federal Reserve Board backed down in the face of his opposition. I refer to the late chairman of the House Committee on Banking and Currency, Henry Steagall. The effort to put into effect an unlawful rule was not renewed until that great man had passed away. Then, without delay, the Board said, "Here is



our opportunity. We will now go to work." As a result, we are here today, trying to prevent the rule of bureaucracy.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks a definition of "interest" from Bouvier's Law Dictionary, third revision; also a provision of the National Bank Act, which is found in section 5197 of the Revised Statutes.

There being no objection, the matter referred to was ordered to be printed in the RECORD, as follows:

#### DEFINITION OF INTEREST

(Bouvier's Law Dictionary, third revision)

On debts: The compensation which is paid by the borrower of money to the lender for its use, and, generally, by a debtor to his creditor in recompense for his detention of the debt.

The compensation allowed by law or fixed by the parties to a contract for the use or forbearance or detention of money. (*Fisher v. Hoover* (3 Tex. Civ. App. 81, 21 S. W. 930).)

#### DIFFERENCE BETWEEN INTEREST AND EXCHANGE

The National Bank Act recognizes the difference between interest and exchange by the following provision, which is found at the end of section 5197 of the Revised Statutes (12 U. S. C., sec. 85) which reads as follows:

"And the purchase, discount, or sale of a bonafide bill of exchange, payable at another place than the place of such purchase, discount, or sale, at not more than the current rate of exchange for sight drafts in addition to the interest, shall not be considered as taking or receiving a greater rate of interest."

Mr. PEPPER. Mr. President, I heartily concur in the able argument which has been made by the distinguished Senator from Alabama [Mr. BANKHEAD] in behalf of the pending amendment.

This amendment would simply preserve a practice which has been common to the small country banks of this country for more than 100 years, and which has continued without interruption during the 10 years that the interest provision has been in the statute, under which, at last, the Federal Reserve Board has laid down this prohibition.

Mr. President, approximately 2,700 country banks are affected by this regulation of the Federal Reserve Board. Those 2,700 country banks serve 2,700 rural communities, which are not a part of the city areas of the Nation.

Surely if we were to do anything, as a Congress, to affect the banking structure of this country, we should do something which would give greater encouragement, strength, and protection to the small banks of the country. We all know that in the opinion of some, the small bank should go the way of the independent grocery store. There are some who believe that we should have a national fiscal structure, out of which should be driven entirely the country banks. There are those who believe that the whole banking structure of the country should be centered in the great city banks, and that wherever there are small banks, they should have their existence only as a part of a great chain of banks.

Mr. President, I wish to preserve in America the right of the citizen to sit

across the desk from the man who actually operates the bank. I wish to preserve in the loan policy of the banks of this country the personal equation, and the element of personality in the borrower himself. I do not wish to have the president of a large bank, sitting at the top of an air-conditioned building in some great city, in the cold isolation of his ivory tower, passing upon the lives, hopes, and dreams of the people of the Nation who call upon the banking structure for aid when he considers loans which are proposed to be made by banks of his chain all over the State or the area which he dominates.

In the interest of preserving the small and independent banks of America, I hope that the pending amendment will be adopted.

Mr. LA FOLLETTE. Mr. President, in the brief time at my disposal it will be impossible for me to discuss the various aspects of the amendment which is now before the Senate. Let me say briefly that I cannot share the apprehensions expressed by Senators who have spoken in opposition to the amendment, in view of the fact that this practice was continued for some time, and in view of the further fact that I do not believe that this case is on all fours with the action taken by the Congress in amending the Federal Reserve Act in 1933 and 1937.

I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks a letter which I have received from Mr. W. T. Doar, vice president of the Bank of New Richmond, at New Richmond, Wis. The letter was written on April 21, 1944, to Mr. George D. Prentice, president of the Wisconsin Bankers' Association, Milwaukee, Wis. I have Mr. Doar's permission to insert the letter in the RECORD.

I myself intend to vote for the pending amendment, because I believe that under all the circumstances the action it proposes is justified.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

BANK OF NEW RICHMOND,  
New Richmond, Wis., April 21, 1944.

Mr. GEO. D. PRENTICE,  
President, Wisconsin Bankers' Association,  
Milwaukee, Wis.

DEAR MR. PRENTICE: Your communication as president of the Wisconsin Bankers' Association, of April 6, 1944, addressed "to all association members" concerning, as you say, "opposition to legislation pending before Congress which would define absorption of exchange as not constituting payment of interest on demand deposits and therefore not in violation of regulation Q as interpreted by the Federal Reserve Board" aroused my interest and accordingly I made some study of the subject matter. I think we should take a positive stand in support of the legislation.

I have had access to the document containing the hearings before the Committee on Banking and Currency of the House of Representatives and have also examined letter put out by the National Association of Credit Men, and have considered the opinion of Hon. Francis C. Brown, general counsel of the Federal Deposit Insurance Corporation, and the communication of Hon. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, of March 16, 1944, as well as communications issued by Ben Du-

Bols, secretary of the Independent Bankers' Association, and much other information on the subject.

The more I considered the information above referred to, the more I became convinced that it is a subject that vitally interests all banks and that your letter would have the effect of assisting those who are attempting to defeat the bill. I am an officer and director in three State banks and a director in a fourth, all located in this part of Wisconsin, and I keep in touch with the affairs of these banks and I have, therefore, a keen interest in any legislation affecting banks or banking.

The Maybank bill, S. 1642, which is a companion bill of H. R. 3956 (so-called Brown bill that was overwhelmingly passed by the House of Representatives) is aimed to clarify by legislation the question of whether or not the absorption of exchange charges constitutes the payment of interest on demand deposits.

The Maybank bill above referred to, reads as follows:

"Be it enacted, etc., That the first sentence of the twelfth paragraph of section 19 of the Federal Reserve Act, as amended (relating to the payment of interest by member banks on demand deposits), is amended by inserting, before the period at the end thereof, a colon and the following: 'Provided further, That this paragraph shall not be deemed to prohibit the absorption of exchange or collection charges by member banks.'"

A strict interpretation of the above legislation would mean that all banks will be permitted to carry on their interbank relationships in a cordial and friendly manner and without interference by unwarranted regulations.

You state in the second paragraph of your letter that the association should maintain a neutral position on the Brown and Maybank bills. However, you, as president of the Wisconsin Bankers' Association, indirectly, if not directly, advocate defeat of the Maybank bill and use the facilities of the association in circularizing your view to its members. In suggesting the defeat of the bill you have apparently based your premise largely upon the assumption that it will tend to enforce par clearance. I do not agree with your view in this respect and believe that the American banking fraternity should be given credit for having sufficient business acumen and foresight to determine the manner in which it proposes to operate its affairs. I do not believe that the passage of the Manbank bill would cause any banker to engage in any practice which could be construed as being in violation of the general principle involved in the question of payment of interest on demand deposits. The four banks with which I am associated are nonpar banks, and the income derived from their exchange charges constitutes a substantial portion of their net earnings. I, therefore, strenuously object to the manner in which the Federal Reserve Board is attempting indirectly to enforce par clearance through an administrative ruling without proper legislative authority. The Federal Reserve Board's interpretation of regulation Q directly affects the operations of these banks, and, in addition, we are confronted with unnecessary expense and confusion in carrying out our customers' relations.

The absorption of exchange charges by correspondent banks is an old-established practice, and I do not believe that it was the intent of Congress to prohibit such practice when they voted for the Banking Acts of 1933 and 1935. If it had been the intent of Congress to enforce universal par clearance, would it not have amended paragraph (1) of section (13) of the Federal Reserve Act, as amended by the act of June 21, 1917, which expressly does not prohibit a National



bank or a State bank that is a member of the Federal Reserve System from charging exchange up to 10 cents per \$100 or fraction thereof, except that no charge shall be made on cash letters received from the Federal Reserve banks.

The merits of par clearance are not at issue in the proposed legislation, and I can only believe that you have overlooked the paramount issue in the controversy, which is: Are we to be governed by legislation or by regulation?

According to a news item in American Banker of date April 15, 1944, the Federal Reserve Board has now reversed its interpretation of regulation Q, as published in the September 1943, issue of the Federal Reserve Bulletin and confines such interpretation to instances where the absorption of exchange is applicable to those cases where, to quote from the news item, "a bank absorbs exchange 'as a matter of operating efficiency,' and does not do so under contract and as an inducement to attract demand deposits, it is not in violation of regulation Q and the exchange fees absorbed are not held to be a payment of interest illegally on demand deposits." Despite this change in the rule of the Federal Reserve Board, I still believe the question should be definitely settled at this time and, believe that the Maybank bill will clarify the situation by legislative action.

The defeat of the Maybank bill will, in my opinion, have a damaging effect on the future of the small or country banks, which in this State constitutes the major portion of those outside the city of Milwaukee. Furthermore, I believe that to permit interpretations of statutes by the Federal Reserve Board will definitely hasten the day when our dual banking system is a thing of the past. As an association, should not the future welfare of the majority of the banks in the State be considered rather than the benefit that will inure to those few correspondent banks in the larger centers? On inquiry, I have failed to find that any of the banks in this section of the State had an opportunity to express their views on this subject and, therefore, I respectfully and seriously question your statement that a substantial majority of the members of the association are opposed to this legislation. I, therefore, think your letter might contribute to the defeat of the Maybank bill. It is my view that this bill should become a law.

I am forwarding a copy of this letter to each bank in the State of Wisconsin in order that the association members may be apprised of my views. Furthermore, I respectfully urge bankers to give some attention to the importance of the passage of this bill, and that such bankers should communicate with the Senators in the United States Senate and urge the passage of the bill.

Yours very truly,

W. T. DOAR,  
Vice President.

Mr. TAFT. Mr. President, I request no further time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from South Carolina [Mr. MAYBANK].

Mr. TAFT. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

|          |           |            |
|----------|-----------|------------|
| Aiken    | Burton    | Clark, Mo. |
| Austin   | Bushfield | Connally   |
| Bailey   | Butler    | Cordon     |
| Bankhead | Byrd      | Danaher    |
| Bilbo    | Capper    | Davis      |
| Brewster | Caraway   | Downey     |
| Brooks   | Chandler  | Ellender   |
| Buck     | Chavez    | Ferguson   |

|                 |           |
|-----------------|-----------|
| George          | McCiellan |
| Gerry           | McFarland |
| Gillette        | McKellar  |
| Green           | Maloney   |
| Guffey          | Maybank   |
| Gurney          | Mead      |
| Hall            | Millikin  |
| Hatch           | Murray    |
| Hawkes          | Nye       |
| Hayden          | O'Daniel  |
| Hill            | O'Mahoney |
| Holman          | Pepper    |
| Jenner          | Radcliffe |
| Johnson, Calif. | Reed      |
| Johnson, Colo.  | Revercomb |
| La Follette     | Reynolds  |
| Langer          | Robertson |
| Lucas           | Russell   |
| McCarran        | Shipstead |

|               |
|---------------|
| Smith         |
| Stewart       |
| Taft          |
| Thomas, Idaho |
| Thomas, Okla. |
| Thomas, Utah  |
| Truman        |
| Tunnell       |
| Tydings       |
| Vandenberg    |
| Walsh         |
| Weeks         |
| Wheeler       |
| Wherry        |
| White         |
| Wiley         |
| Willis        |
| Wilson        |

The PRESIDING OFFICER. Eighty Senators have answered to their names. A quorum is present.

Mr. TAFT. Mr. President, I yield 2 minutes to the junior Senator from Maryland [Mr. RADCLIFFE].

Mr. RADCLIFFE. Mr. President, at this late hour I shall not attempt any discussion of the merits of the pending amendment, but merely refer to one aspect of procedure.

I am in sympathy with doing everything which can properly be done for the small banks, but the Banking and Currency Committee, of which I am a member, has held hearings in regard to the so-called Maybank bill for only a few days. Many important witnesses have expressed a wish to be heard and so far there has been no such opportunity. We know that the Federal Reserve Board and the Federal Deposit Insurance Corporation are not in accord with regard to this amendment. I hope that the Senate will not attempt to pass upon this important subject today. I am sure that if the Senate will wait until the hearings can be completed it will be only a month or so before the measure can come before the Senate, in due course.

Mr. RUSSELL. Mr. President, will the Senator yield?

Mr. RADCLIFFE. I yield.

Mr. RUSSELL. I ask the Senator when the hearings on this bill were commenced?

Mr. RADCLIFFE. They were begun several days ago.

Mr. RUSSELL. Does not the Senator from Maryland know that it would be absolutely impossible for the committee to go through a lengthy hearing and at this session of Congress give the people the relief which is sought in the Maybank bill? The bill has been before us since January of this year, and now, on the eve of adjournment, when we are expecting to go home for Christmas, it is suggested that hearings be held.

Mr. BANKHEAD. Mr. President, I may say to the Senator that if the bill were passed it would merely retain the present status quo.

Mr. RADCLIFFE. Mr. President, I should like to say to the Senator from Georgia that the Banking and Currency Committee has been very busy with various matters. I do not know whether it was possible to take up the bill at an earlier date. In view of the fact that the hearings have already proceeded in part, they could be taken up again I believe, shortly after the first of the year on a similar bill and soon completed.

This matter is quite technical and is one of considerable magnitude. I hope the Senate will not deviate from its customary procedure as to hearings but will later on consider carefully the situation as to smaller banks, and also examine into other serious questions involved.

I hope the amendment will not prevail. We can study the merits of the measure later on in our customary manner.

Mr. TAFT. I yield 1 minute to the junior Senator from Kentucky for the purpose of inserting something in the RECORD.

Mr. CHANDLER. Mr. President, last March I asked the director of the division of banking of my State to express his view in respect to the proposed legislation. I have received a letter from him in reply to my request, and I ask that it be printed in the RECORD at this point as a part of my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF  
BUSINESS REGULATION,  
DIVISION OF BANKING,  
Frankfort, March 28, 1944.

Senator A. B. CHANDLER,  
United States Senate Office Building,  
Washington, D. C.

DEAR HAPPY: I desire to call your attention to Senate bill 1642 introduced by Senator BURNET MAYBANK. This is an identical bill to the one introduced by Congressman PAUL BROWN, and known as H. R. 3956, which has already passed the House.

The purpose of this bill is to permit banks desiring to do so to continue the practice of absorbing exchange charges. This practice has been followed for many, many years, and the question has received the attention of Congress in the past and Congress has persistently refused to enact legislation prohibiting the practice. It appears that the Federal Reserve Board, desiring to prohibit the practice, has attempted to do by regulation what legislators have refused in legislation, by interpreting regulation Q, issued by the Federal Reserve Board, as prohibiting the absorption of exchange charges by interpreting such absorption as the payment of interest upon demand deposits. This interpretation is contrary to the interpretation given by the Federal Deposit Insurance Corporation under its regulation IV.

There has apparently been a disagreement between the Federal Deposit Insurance Corporation and the Federal Reserve Board for a number of years, and in February 1937 the two Federal agencies apparently agreed that the absorption of exchange charges where demand deposits were not solicited by means of an offer to absorb the exchange charges, did not constitute the payment of interest upon demand deposits, and therefore, did not violate regulation IV of the F. D. I. C. or regulation Q of the Federal Reserve Board.

Only recently the Federal Reserve Board has issued a new interpretation upon the matter, thus again forcing the attention of the matter to Congress. Since the enforcement of the Federal Reserve Board's present interpretation would disrupt and interfere materially with the normal correspondent banks' relationship and service, it is my opinion that unless the Federal Reserve Board will recede from its present interpretation as they did in 1937, at the request of certain members of the appropriate committees of Congress, the Maybank bill should be passed, thus preventing the Federal Reserve Board from interpreting regulation Q so as to interrupt the normal relationship between the



correspondent banks and their country bank customers.

There are only 8 or 10 banks in Kentucky making exchange charges; therefore, it is not a serious question in Kentucky, but the interpretation of regulation Q shows a trend toward Federal interference with State banks, which are not under the supervision of the Federal agency, since the apparent result of the interpretation would force all banks whether members of the Federal Reserve System or not upon a par clearance basis. Frankly, I am in favor of par clearance, but I do not believe it is proper for par clearance to be forced under the means evident in regulation Q.

Therefore, I hope that you will give your serious consideration to Senator MAYBANK's bill, and that you will look with favor upon its passage. I am quite sure that you can obtain complete information concerning the propriety of this bill from our mutual friend Mr. Leo T. Crowley.

With kindest personal regards, I am,  
Sincerely yours,

HIRAM WILHOIT,  
*Director.*

Mr. TAFT. Mr. President, I yield 2 minutes to the senior Senator from Nebraska [Mr. BUTLER].

Mr. BUTLER. Mr. President, as a member of the Committee on Banking and Currency, I have attended the hearings which have been held during the past several days in connection with the so-called Maybank bill, which was offered here as an amendment to the crop-insurance bill. I fear that in the excitement of the occasion we are perhaps allowing the tail to wag the dog.

I invite the attention of the Senate for a moment to the main bill which is under consideration at this time, and in which many of us are intensely interested. It involves the question of crop insurance for the farmers of America. We may have a divided opinion concerning the merits of the amendment under consideration; in fact, there may be a division of opinion among the bankers of my own State with regard to the subject; but I do not believe that we should run the risk of a veto of the crop-insurance bill by attaching to it an amendment which might wreck the Federal Reserve System, whose operations have been a great success. I am inclined to believe that the administration would look with disfavor upon the proposed amendment.

Mr. TAFT. Mr. President, I desire to take no more time, and I ask for the yeas and nays.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from South Carolina [Mr. MAYBANK], on which the yeas and nays are demanded. Is the demand sufficiently seconded?

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. BUCK (when his name was called). On this vote I have a pair with the junior Senator from Mississippi [Mr. EASTLAND]. I understand that if he were present and voting that he would vote "yea." If permitted to vote, I should vote "nay."

Mr. REED (when his name was called). I have a general pair with the senior

Senator from New York [Mr. WAGNER]. I understand that if he were present he would vote as I am about to vote. Therefore, I am at liberty to vote. I vote "nay."

Mr. WILEY (when his name was called). Mr. President, for reasons which appear adequate to me I ask that I be excused from voting on this question.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Wisconsin that he be excused from voting on the pending question? The Chair hears no objection, and the Senator is excused.

The roll call was concluded.

Mr. HILL. I announce that the Senator from Kentucky [Mr. BARKLEY] and the Senator from Virginia [Mr. GLASS] are absent from the Senate because of illness.

The Senator from Utah [Mr. MURDOCK] is absent on official business for the Senate.

The Senator from Iowa [Mr. GILLETTE] and the Senator from Pennsylvania [Mr. GUFFEY] are detained in Government departments on matters pertaining to their respective States.

The Senator from New York [Mr. MEAD] and the Senator from Montana [Mr. MURRAY] are detained in committee meetings.

The Senator from Florida [Mr. ANDREWS], the Senator from Idaho [Mr. CLARK], the Senator from Mississippi [Mr. EASTLAND], the Senator from West Virginia [Mr. KILGORE], the Senator from Louisiana [Mr. OVERTON], the Senator from Nevada [Mr. SCRUGHAM], the Senator from New York [Mr. WAGNER], the Senator from Washington [Mr. WALLGREN], and the Senator from Montana [Mr. WHEELER] are necessarily absent.

I am advised that if present and voting, the Senator from Idaho [Mr. CLARK], the Senator from West Virginia [Mr. KILGORE], the Senator from Utah [Mr. MURDOCK], the Senator from Nevada [Mr. SCRUGHAM], and the Senators from New York [Mr. MEAD and Mr. WAGNER] would vote "nay."

The Senator from Florida [Mr. ANDREWS] is paired with the Senator from Montana [Mr. WHEELER]. I am advised that if present and voting, the Senator from Florida would vote "yea," and the Senator from Montana would vote "nay."

Mr. THOMAS of UTAH. I have a general pair with the Senator from New Hampshire [Mr. BRIDGES]. I transfer that pair to the Senator from Virginia [Mr. GLASS], who, I am advised, if present and voting, would vote "nay." I am not advised how the Senator from New Hampshire would vote. I vote "nay."

Mr. WHERRY. The Senator from Minnesota [Mr. BALL], the Senator from Idaho [Mr. THOMAS], and the Senator from New Hampshire [Mr. TOBEY] are necessarily absent. If present these three Senators would vote "nay."

The Senator from New Hampshire [Mr. BRIDGES], the Senator from Oklahoma [Mr. MOORE], and the Senator from North Dakota [Mr. NYE] are necessarily absent.

The result was announced—yeas 25, nays 45, as follows:

#### YEAS—25

|           |             |          |
|-----------|-------------|----------|
| Bailey    | George      | Maybank  |
| Bankhead  | Green       | O'Daniel |
| Bilbo     | Hall        | Pepper   |
| Bushfield | Hill        | Reynolds |
| Caraway   | La Follette | Russell  |
| Chandler  | Langer      | Stewart  |
| Connally  | McClellan   | Wherry   |
| Downey    | McFarland   |          |
| Ellender  | McKellar    |          |

#### NAYS—45

|            |                |               |
|------------|----------------|---------------|
| Aiken      | Gurney         | Robertson     |
| Austin     | Hatch          | Shipstead     |
| Brewster   | Hawkes         | Smith         |
| Brooks     | Hayden         | Taft          |
| Burton     | Holman         | Thomas, Okla. |
| Butler     | Jenner         | Thomas, Utah  |
| Byrd       | Johnson, Colo. | Truman        |
| Capper     | Lucas          | Tunnell       |
| Chavez     | McCarran       | Tydings       |
| Clark, Mo. | Maloney        | Vandenberg    |
| Cordon     | Millikin       | Walsh         |
| Danaher    | O'Mahoney      | Weeks         |
| Davis      | Radcliffe      | White         |
| Ferguson   | Reed           | Willis        |
| Gerry      | Revercomb      | Wilson        |

#### NOT VOTING—25

|              |                 |               |
|--------------|-----------------|---------------|
| Andrews      | Guffey          | Scrugham      |
| Ball         | Johnson, Calif. | Thomas, Idaho |
| Barkley      | Kilgore         | Tobey         |
| Bridges      | Mead            | Wagner        |
| Buck         | Moore           | Wallgren      |
| Clark, Idaho | Murdock         | Wheeler       |
| Eastland     | Murray          | Wiley         |
| Gillette     | Nye             |               |
| Glass        | Overtton        |               |

So Mr. MAYBANK's amendment was rejected.

The PRESIDING OFFICER. If there be no further amendment to be proposed, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill (H. R. 4911) was read the third time and passed.

Mr. MEAD subsequently said: Mr. President, I have a brief announcement to make. I was detained after the noon period in presiding over the special war committee. I heard the bells which indicated that the roll was being called to ascertain the presence of a quorum. I immediately prepared to leave my committee room and come to the Senate Chamber. I wish to say that riding on the monorail car in the subway between the Senate Office Building and the Senate Chamber the noise was so distracting and disturbing that I did not hear the bell announcing the taking of the vote, and when I reached the Senate floor the vote had just been completed. Therefore, I missed the vote on the Maybank amendment. Had I been present, as I would have been if I had heard the bell—it was not my fault that I did not hear it, of course—I would have voted against the amendment.

Mr. THOMAS of Oklahoma. I move that the Senate insist on its amendments, request a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. THOMAS of Oklahoma, Mr. WHEELER, Mr. BANKHEAD, Mr. ELLENDER, Mr. RUSSELL, Mr.



CAPPER, Mr. SHIPSTEAD, and Mr. AIKEN conferees on the part of the Senate.

#### PROPOSED CALL OF CALENDAR

Mr. HILL. Mr. President, I wish to state that as soon as possible, the crop insurance bill having been disposed of, I shall ask that the Senate proceed to the consideration of unobjected-to bills on the calendar, starting where the last call left off.

#### G. H. CARNER—CONFERENCE REPORT

Mr. ROBERTSON submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 1963) for the relief of G. H. Carner, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment numbered 2.

That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment as follows: In lieu of the figures "\$1,250" insert the figures "\$1,750"; and the Senate agree to the same.

ALLEN J. ELLENDER,

E. V. ROBERTSON,

*Managers on the part of the Senate.*

THOS. G. ABERNETHY,

JOHN JENNINGS, Jr.,

*Managers on the part of the House.*

The report was agreed to.

#### SIGFRIED OLSEN—SIGFRIED OLSEN SHIPPING CO.—CONFERENCE REPORT

Mr. O'DANIEL submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 2825) for the relief of Sigfried Olsen, doing business as Sigfried Olsen Shipping Co., having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment to the title of the bill.

That the House recede from its disagreement to the amendment of the Senate to the text of the bill and agree to the same with an amendment, as follows: Omit the matter proposed to be inserted by the said amendment, and in lieu of the sum proposed in line 7, page 1, of the House engrossed bill, insert the sum "\$37,710.13"; and agree to the same.

W. LEE O'DANIEL,

TOM STEWART,

KENNETH S. WHERRY,

*Managers on the part of the Senate.*

DAN R. MCGEEHEE,

J. W. MURPHY,

W. A. PITTINGER,

*Managers on the part of the House.*

The report was agreed to.

#### ADDITIONAL COPIES OF HEARINGS BEFORE SPECIAL COMMITTEE ON POST-WAR ECONOMIC POLICY AND PLANNING

Mr. HAYDEN. Mr. President, from the Committee on Printing I report back favorably without amendment, Senate Resolution 353, and ask unanimous consent for its immediate consideration.

The PRESIDING OFFICER. Is there objection?

Mr. WHITE. Mr. President, I take it this is simply a resolution providing for the printing of additional copies of hearings.

Mr. HAYDEN. It merely provides for the printing of 1,000 additional copies of part 3 of the hearings before the Special Committee on Post-war Economic Policy and Planning. The Resolution was submitted by the Senator from Georgia [Mr. GEORGE], and the cost will be \$400.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the resolution (S. Res. 353) submitted by Mr. GEORGE on December 13, 1944, was considered and agreed to, as follows:

*Resolved*, That in accordance with paragraph 3 of section 2 of the Printing Act, approved March 1, 1907, the Special Committee on Post-war Economic Policy and Planning of the United States Senate be, and is hereby, authorized and empowered to have printed for its use 1,000 additional copies of part 3 of the hearings held before said special committee during the second session of the Seventy-eighth Congress, pursuant to the resolution (S. Res. 102) creating a Special Committee on Post-war Economic Policy and Planning.

#### DURATION OF SPECIAL COMMITTEES

Mr. McCARRAN. Mr. President, there appears to be an indefinite policy in the Senate with reference to what is going to happen to special committees. I should like to have the policy stated so that some of us who are conducting hearings through special committees may know what course to pursue in the future. We understand that it is the policy of the leadership to do away with all special committees. Some of the special committees—and I refer particularly to the special committee having to do with the investigation of the decentralization of business, another one having to do with the public lands of the West, and another having to do with silver—will, by reason of the language of the resolution creating them, go out of existence with the expiration of the present Congress. I will take, for instance, the subcommittee of the Committee on Public Lands and Surveys. That subcommittee has hearings set in the West for the latter part of January and the first part of February. In those hearings the Interior Department is vitally interested; in those hearings the stock raisers using the open public domain are each and all of them vitally interested, and for those hearings the people of the State of Utah have been calling for months, but, due to the fact that the chairman, the senior Senator from Nevada, has been engaged in trying to perpetuate himself in this body, he was unable to hold the hearings. The hearings have been set, nevertheless; but, unless we can have an understanding now with those who are interested in the policy of doing away with the special committees, we are at a loss to know what to do. Again, with reference to the special committee having to do with the decentralization of industry, some hearings have been held, other hearings are called for, and we have promised hearings in various sections of the country. We would like to know whether we will be permitted to go forward with those hearings, whether we will be financed by the Committee to Audit and Control the

Contingent Expenses of the Senate, so that we may advise the people who are interested, and advise the members of the committee as well.

Then, regarding the committee on silver, that committee has been almost a standing committee. It has been in existence since long before I became a Member of this body. I think it was created as a result of the efforts of my late beloved colleague, Senator Pittman. It is a live and working committee. The chairman of the Committee to Audit and Control the Contingent Expenses of the Senate is present, and the leaders on both sides are here, and I should like to know, regarding the three committees I have named—and I suppose other Senators are interested in other committees—exactly what we may look forward to, because, if we are to be permitted to go forward, some of us may utilize the holiday vacation to proceed with hearings. Otherwise we may stand still and not know what we are going to do. I am asking this question in all seriousness and sincerity, with the hope that the whole atmosphere may be cleared.

Mr. HILL. Mr. President, I will say to the distinguished Senator that I have only briefly discussed this matter with the able chairman of the Committee to Audit and Control, the Senator from Illinois [Mr. LUCAS]. It is my understanding, from what he said about the resolution, which I believe his committee is now ready to report, that the committees to which the Senator from Nevada has referred, and all such committees, would continue their life until the end of January next, which would mean we would have about 30 days at the beginning of the next Congress in which determination could be made as to whether those committees should continue during the next Congress. I will ask the Senator from Illinois if I am correct in this statement.

Mr. LUCAS. The Senator from Alabama is correct. I have not conferred with all the members of my committee with respect to the resolution which has been prepared, which would continue all the standing and special committees until January 31, 1945. A similar resolution was offered 2 years ago, and there is no reason I can see why a resolution of such a character should not be offered again.

There are a great number of special committees, a great number of committees which are in existence and active in the Senate, which have been in existence for many, many years, and at the request of some Members of the Senate I am having the financial clerk prepare for my committee a statement of the time when these committees were started, how long they have been in operation, what they have accomplished in the way of legislation, the amount of money that has been spent, and also the number of employees now working in connection with the committees. At the beginning of the next session of Congress, when new Members will come into the Senate to participate in the deliberations, I think they will have a right to know exactly where the Senate stands with respect to all these committees.







DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE  
(Issued December 16, 1944, for actions of Friday, December 15, 1944)

(For staff of the Department only)

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SENATE

FIRST SUPPLEMENTAL APPROPRIATION BILL, 1945. Passed with amendments this bill, H. R. 5587 (pp. 9628, 9635-51). (For provisions see Digest 176.)

Agreed to all committee amendments.

Sen. Russell, Ga., discussed the conservation and use item in the bill (pp. 9644-5).

Sens. McKellar; Glass, Hayden, Tydings, Russell, Nye, Holman, and Brooks and Reps. Cannon of Mo., Woodrum, Ludlow; Snyder, O'Neal, Rabaut, Johnson of Okla., Dirksen, Engel, Case, and Keefe were appointed conferees (pp. 9651, 9690).

ECONOMY; APPROPRIATIONS. The Joint (Byrd) Economy Committee submitted and inserted in the Record a "Report on Unexpended Balances of Appropriations and Contract Authorizations" (pp. 9624-8).

RURAL ELECTRIFICATION. Passed without amendment H. R. 5566, to authorize REA to make loans to cooperative associations to repay or refinance loans from TVA. Sen. McKellar, Tenn., inserted Deputy REA Administrator Nicholson's letter on this bill. (p. 9563.) This bill will now be sent to the President.

RIVERS AND HARBORS BILL. After rejecting the conference report on this bill, H. R. 3961, (pp. 9628-35) the Senate requested the House to return the bill for reconsideration because "The House is unwilling to go into conference" (pp. 9646-7). The Senate had rejected the conference report largely because of the so-called Elliott amendment on the Central Valley Project (pp. 9630-5, 9638, 9690).

PERSONNEL; SELECTIVE SERVICE. Both Houses received the Selective Service System's report of registrants deferred as of Sept. 30, 1944, because of Federal employment. To Military Affairs Committees. (pp. 9624, 9691.)

FORESTRY. Public Lands and Surveys Committee reported without amendment H.R. 5409, authorizing the exchange of lands adjacent to the Pike National Forest (S. Rept. 1386) (p. 9624).

NOMINATIONS. Began debate on the nominations of the Surplus Property Board members (pp. 9654-61).



HOUSE

8. CROP INSURANCE. Received the conference report on H. R. 4911, the crop-insurance bill (pp. 9690-1).

The conferees agreed to the Senate amendments, except as follows: They retained the House limitation on administrative expenses except that the limitation is not applicable until after the crop year 1949, provided that after the crop year 1949 the reserves shall not be less than 10% of premiums for any commodity, and agreed to the principle of the House provision regarding payment of claims on a pro rata basis in certain situations.

9. CONGRESSIONAL REORGANIZATION. Passed as reported S. Con. Res. 23, the Maloney-Monroney resolution establishing a Joint Committee on the Organization of Congress, to report not later than April 1, 1945 (pp. 9671-8).

Later in the day the Senate concurred in the amendments (pp. 9662; 9671-8).

10. GOVERNMENT RECORDS. Rep. Cochran, Mo., spoke on the possibility of saving office space by establishing a central place for inactive records (p. 9670).

11. LEAVE. Agreed to the Senate amendments to H. R. 4918, to provide for lump-sum payments to employees, for accumulated or accrued annual leave, upon separation or entrance into military service, or to their estates upon their death (p. 9681). This bill will now be sent to the President.

12. ALASKA DEVELOPMENT. Delegate Dimond, Alaska, spoke on this subject (pp. 9683-7).

13. RECLAMATION. Received the conference report on S. 1782, to amend the Reclamation Project Act so as to extend the time in which amendatory contracts may be made (p. 9671).

Irrigation and Reclamation Committee reported with amendment H. R. 4808, to amend the Fact Finders Act (H. Rept. 2021, pt. II) (p. 9691).

JOINT RESOLUTION INTRODUCED

14. SMALL BUSINESS. By Sen. Murray, Mont., S. J. Res. 165, extending the life of the Smaller War Plants Corporation. To Banking and Currency Committee. (p. 9624.)

ITEMS IN APPENDIX

15. RIVERS AND HARBORS BILL. Sen. Aiken, Vt., inserted editorials favoring the development of the St. Lawrence waterway (pp. 5123-24).

16. DAIRY AND MEAT INDUSTRIES. Extension of remarks of Rep. Miller, Nebr., on the "unsatisfactory handling" of dairy and meat products and inserting a letter to Chester A. Bowles and Judge Jones regarding price control and subsidies on these products (pp. A5124-5).

17. COMPENSATION. Extension of remarks of Rep. Brumbaugh, Pa., and Rep. Plumley, Vt., favoring increased compensation for postal employees (pp. A5126, A5146).

18. AGRICULTURE PROGRAM. Sen. Thomas, Okla., inserted Robert M. Harriss' statement favoring the adoption of the domestic-allotment plan on major commodities (p. A5133).

## AMENDING THE FEDERAL CROP INSURANCE ACT

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DECEMBER 15, 1944.—Ordered to be printed

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Mr. FLANNAGAN, Jr., from the committee of conference, submitted the following

### CONFERENCE REPORT

[To accompany H. R. 4911]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 4911) to amend the Federal Crop Insurance Act, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment numbered 11, and agree to the provision of the House bill amended to read as follows: *Provided, That, after the crop year of 1949, not more than a sum equivalent to 25 per centum of the premiums collected in the preceding year (beginning calculation of premiums collected in the crop year of 1949) shall be used for administrative expenses in any current operating year.;* and the House agree to the same.

That the Senate recede from its amendment numbered 12, and agree to the provision of the House bill amended to read as follows: *Provided, however, That, after the crop year of 1949, if the total amount of accumulated claims for losses on any agricultural commodity for any year exceeds the total amount of the premiums collected less the accumulated premium reserves of the Corporation with respect to any such commodity, (which reserves, after the crop year of 1948, shall not be less than 10 per centum of the premiums collected on such commodity), such claims shall be paid on a pro rata reduced basis.;* and the House agree to the same.



That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 13, 14, 15, 16, 17, 18, and agree to the same.

J. W. FLANNAGAN, JR.,  
HAROLD D. COOLEY,  
ORVILLE ZIMMERMAN,  
CLIFFORD R. HOPE,  
AUG. H. ANDRESEN,

*Managers on the part of the House.*

ELMER THOMAS,  
J. H. BANKHEAD,  
ALLEN J. ELLENDER,  
RICHARD B. RUSSELL,  
ARTHUR CAPPER,  
HENRIK SHIPSTEAD,  
GEORGE D. AIKEN,

*Managers on the part of the Senate.*

## STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 4911) to amend the Federal Crop Insurance Act, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Section 1 of the House bill authorized all-risk crop insurance with respect to wheat, cotton, and flax, commencing with the crops planted for harvest in 1945. Such insurance coverage was to be fixed by the Board at not in excess of 75 percent of the recorded or appraised average yield for the farm except that such coverage was not to exceed the investment in the crop. The Senate struck out the provision in the House bill limiting the insurance coverage to the investment in the crop. The House agrees to this Senate change.

Section 1 of the House bill also authorized experimental insurance with respect to many specifically named agricultural commodities and, in general, with respect to all agricultural commodities, if actuarial data are available. Experimental insurance with respect to any commodity was to be limited to the producers in not to exceed 20 representative counties and could be insured on the basis of cost of investment as well as yield. The Senate added sugarcane, timber, and forests to the list of named crops. The Senate also provided that, beginning with the crop year 1945, experimental insurance should be limited to corn and tobacco and to not more than three additional crops for each year thereafter. The Senate also made some additional technical and clarifying changes in section 1 of the House bill. The House agrees to these Senate changes.

Section 2 of the House bill authorized the Corporation to fix adequate premiums to cover crop losses and to establish within a period of 3 years a reasonable reserve against unforeseen losses. This section of the House bill also provided that after the crop year 1945 not more than 25 percent of the premiums collected in the preceding year shall be used for administrative expenses in any current operating year. The Senate changed the bill to provide that the reserve against unforeseen losses should be established as expeditiously as possible in lieu of the 3-year period provided in the House bill, and the House agrees to this change. However, the conference agreement provides, by amendment to section 3, that after the crop year 1948 the reserves against unforeseen losses to be established by the Corporation shall not be less than 10 percent of the premiums collected with respect to any agricultural commodity. The Senate struck out the limitation on administrative expenses. The conference agreement retains the House limitation on administrative expenses except that the limitation is not applicable until after the crop year 1949.

Section 3 of the House bill authorized the Corporation to adjust and pay claims for losses provided that if the amount of approved claims exceeded the premiums collected plus accumulated reserves such claims



were to be paid on a pro rata reduced basis except that for the first 3 crop years the claims were not to be reduced by more than 15 percent of the approved amount. The conference agreement retains the principle of the House provision. Under the conference agreement, after the crop year 1949, if the approved claims for losses on any commodity exceed the premiums collected less the accumulated premium reserves, such claims shall be paid on a pro rata reduced basis and the Corporation would be required, after the crop year 1948, to set up as a reserve not less than 10 percent of the premiums collected on any commodity.

Section 4 of the House bill which repealed subsection (c) of section 508 of the Federal Crop Insurance Act was stricken out by the Senate. Since under the terms of the House bill insurance with respect to cotton was limited to the investment in the crop, subsection (c) of section 508 of the Federal Crop Insurance Act, which provided for recognizing the value of cottonseed in determining insurance coverage, was not necessary. Inasmuch as the conference agreement now provides for yield insurance with respect to cotton, this provision of the existing law should not be repealed. Accordingly, the House agrees to the Senate amendment.

Section 5 of the House bill (now sec. 4) amended section 518 of the Federal Crop Insurance Act to broaden the definition of the term "agricultural commodity." The Senate amended this definition by adding sugarcane, timber, and forests. The House agrees to this change.

The Senate amended the House bill by adding a new section 5, authorizing an appropriation of \$30,000,000 for making payments to producers to encourage an increased production of flax for the crop year 1945. It provided that this money shall be expended subject to such provisions of sections 7 to 17 of the Soil Conservation and Domestic Allotment Act, as amended, as are applicable to carrying out a program of this kind. The War Food Administrator is authorized to make commitments to the producers of flax in advance of the appropriation of the funds authorized. The House agrees to the Senate amendment.

The Senate also added a new section 6 to the bill. This section makes immediately available for the administration of the Federal Crop Insurance Act for the remainder of the fiscal year ending June 30, 1945, as an additional amount, not in excess of \$3,000,000, of certain unobligated balances of funds heretofore appropriated to carry out the Federal Crop Insurance Act. In addition to reappropriating the \$3,000,000, above referred to, this section repeals the provisions in existing appropriation acts requiring the liquidation of the Federal Crop Insurance Corporation. The House agrees to the Senate amendment.

J. W. FLANNAGAN, Jr.,  
HAROLD D. COOLEY,  
ORVILLE ZIMMERMAN,  
CLIFFORD R. HOPE,  
AUG. H. ANDRESEN.

*Managers on the part of the House.*







DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE  
(Issued December 18, 1944, for actions of Saturday, December 16, 1944)

(For staff of the Department only)

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HOUSE

1. **FIRST SUPPLEMENTAL APPROPRIATION BILL, 1945.** Agreed to the conference report on this bill, H. R. 5587 (pp. 9743-6).

The conferees acted on the items of interest to USDA and WFA as follows:

Farm-labor program: Agreed to Senate amendment, but reduced the amount to \$20,000,000.

Stoneville cotton laboratory: Retained, at Senate figure of \$83,000.

Spruce budworm: Retained, but amount reduced to \$25,000.

Penalty mail: Sec. 2 mailings retained but reduced to \$3,161,650.

Bulk-mailings items fixed as follows: Information, \$8,002; Library, \$6,938; Extension Service, \$37,000.

Joint Committee on Federal Expenditures, \$10,000.

Teletype service under Public Buildings Administration: Retained but limited to the service now being rendered.

War public works (community facilities): Retained but reduced to \$12,000,000.

War housing: Retained but reduced to \$15,000,000.

Took the following action on amendments reported in disagreement by conferees: Restored the "conservation and use" item to the language of the Budget estimate (p. 9747).

Rejected a motion by Chairman Cannon of the Appropriations Committee to restore the Senate item for a census of agriculture, by a 97-127 vote (pp. 9747-51), and insisted on disagreement to the item (p. 9751).

Agreed to a motion by Chairman Cannon to agree to the Senate limitation on communications, except for a change for Interior Department (p. 9752).

For other items see Digests 169a and 171.

2. **CROP INSURANCE.** Both Houses agreed to the conference report on the crop-insurance bill, H. R. 4911 (pp. 9719, 9735-40) (House vote was 72-19). (For provisions of report, see Digest 177.) This bill will now be sent to the President.

Rep. Flannagan, Va., discussed the provisions of the bill as reported by the conferees (pp. 9735-6). Reps. Andresen, Minn., Flannagan, and Short, Mo.,



discussed the "administrative end of the program" and commended the War Food Administrator's attitude on this problem (pp. 9736-7). Rep. Andresen discussed and urged support of the Senate flax provision (p. 9738). Rep. Dirksen, Ill., criticized the deletion of the House provision on payments not in excess of investments, and stated that "one of the fundamental rules of insurance is that no man can get more than what has been destroyed" (p. 9738).

3. CONGRESSIONAL REORGANIZATION. Reps. Monroney, Cox, Lane, Michener, Dirksen, and Plumley were appointed as House members of the Joint Committee on Reorganization of Congress, pursuant to S. Con. Res. 23 (p. 9756).
4. CIVIL SERVICE INVESTIGATION. The Civil Service Committee submitted a report pursuant to H. Res. 16, recommending that one Federal agency be responsible for improving administration (H. Rept. 2084) (p. 9759).
5. RETIREMENT. Civil Service Committee reported with amendment S. 1481, to permit persons who have received lump-sum benefits under the Employees' Compensation Act to receive annuities under the Civil Service Retirement Act (H. Rept. 2084) (p. 9759).
6. CIVIL SERVICE STATUS. Civil Service Committee reported without amendment H.R. 4699, to provide for counting military service of certain legislative employees in determining eligibility for civil-service status (H. Rept. 2086) (p. 9759).
7. GRAZING. Sen. McCarran, Nev., announced that the Public Lands and Surveys Committee had agreed to a resolution prohibiting any increase in grazing fees until the Committee has had an opportunity to study the effect which such increases might have on livestock grazing on the public domain (p. 9694).
8. ADJOURNED until Mon., Dec. 18 (p. 9759).

#### SENATE

9. NOMINATIONS. Confirmed the nominations of Robert A. Hurley (41-28) and Lt. Col. Edward Heller (43-26) to be members of the Surplus Property Board (pp. 9700-13, 9719-21, 9728-32). During the discussion, Sen. Austin, Vt., discussed the power which the Board will have over the disposed of agricultural lands (p. 9702). Discussed the nominations of W. L. Clayton to be Assistant Secretary of State (pp. 9714-9) and of Joseph C. Grew to be Under Secretary of State (pp. 9732-3). During the discussion, Sen. Bankhead, Ala., criticized Mr. Clayton's activities relating to the production of Brazilian cotton and his opposition to Federal cotton-export subsidies, stating that "he is opposed to farmers being given the right to adjust their supplies of cotton to fit the demand for it" (pp. 9716-7).

10. FORESTRY. Public Lands and Surveys Committee reported without amendment H.R. 2241, to abolish the Jackson Hole National Monument (S. Rept. 1388) (p. 9694).
11. ADJOURNED until Mon., Dec. 18 (p. 9734).

#### BILL INTRODUCED

12. LABOR. By rep. Holifield, Calif., H. R. 5626, to raise the minimum wage rate. To Banking and Currency Committee. (p. 9759).



one-half billion dollars a year. Of course, Mr. Clayton was for that, because if the Government paid it, it gave him his big trade, such as he wanted, without cost to him—the Government paying the cost.

#### CROP INSURANCE—CONFERENCE REPORT

As in legislative session,

Mr. THOMAS of Oklahoma submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 4911) to amend the Federal Crop Insurance Act, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows: That the Senate recede from its amendment numbered 11 and agree to the provision of the House bill amended to read as follows: "Provided, That, after the crop year of 1949, not more than a sum equivalent to 25 per centum of the premiums collected in the preceding year (beginning calculation of premiums collected in the crop year of 1949) shall be used for administrative expenses in any current operating year"; and the House agree to the same.

That the Senate recede from its amendment numbered 12 and agree to the provision of the House bill amended to read as follows: "Provided, however, That, after the crop year of 1949, if the total amount of accumulated claims for losses on any agricultural commodity for any year exceeds the total amount of the premiums collected less the accumulated premium reserves of the Corporation with respect to any such commodity (which reserves, after the crop year of 1948, shall not be less than 10 per centum of the premiums collected on such commodity), such claims shall be paid on a pro rata reduced basis"; and the House agree to the same.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 13, 14, 15, 16, 17, and 18, and agree to the same.

ELMER THOMAS,  
J. H. BANKHEAD,  
ALLEN J. ELLENDER,  
RICHARD B. RUSSELL,  
ARTHUR CAPPER,  
HENRIK SHIPSTEAD,  
GEORGE D. AIKEN,

*Managers on the part of the Senate.*

J. W. FLANNAGAN, Jr.,  
HAROLD D. FOLEY,  
ORVILLE ZIMMERMAN,  
CLIFFORD R. HOPE,  
AUG. H. ANDRESEN,

*Managers on the part of the House.*

The report was agreed to.

#### SURPLUS PROPERTY BOARD

The Senate resumed the consideration of the nomination of Robert A. Hurley to be a member of the Surplus Property Board.

Mr. DOWNEY. Mr. President, I shall speak briefly in support of confirmation of both Governor Hurley and Colonel Heller to be members of the Surplus Property Board. As a member of the Military Affairs Committee, which heard all the testimony, I am strongly of the opinion that Governor Hurley should be confirmed, but I shall leave any detailed discussion of him, or the testimony with respect to him, to another Senator, and shall but briefly tell the Senate what I know about Colonel Heller, of San Francisco, Calif. I am not compelled to enter into long and tortuous examination of

any record for the defense of Colonel Heller. The facts of the record are so plain that it is astounding that any Senator who knows them could make some of the statements that have been made in opposition to Colonel Heller.

It is, Mr. President, the simple truth that Colonel Heller is one of the ablest businessmen in the entire West, a man of unblemished character, a man of honesty, humanity, and honor. We called before the Military Affairs Committee—or rather they volunteered—several important witnesses for Colonel Heller. I preferred to present as witnesses leading Republicans of California and this Nation, because I anticipated the partisan character of the arguments that would be made here. Leading Republicans, great industrialists, and businessmen from various places in the United States paid high tribute to Colonel Heller. I will not take the time to read any of such tributes from leading Republicans and businessmen from California. Let us rather consider what witnesses from Vermont and elsewhere had to say about Colonel Heller.

Mr. President, I shall first read a telegram sent from the State of Vermont to the senior Senator from Vermont [Mr. AUSTIN]. The colloquy leading to that telegram is as follows:

Senator AUSTIN. Mr. Chairman, I would like to state that the Honorable Ralph E. Flanders, who is a resident of Springfield, Vt., and, I believe, chairman of the board of the Federal Reserve Bank of Boston, sent me the following telegram, dated November 27, 1944, supporting the nomination of Lt. Col. Edward H. Heller, which I would like to have inserted in the record.

That testimony, which the Senator from Vermont placed in the RECORD, reads as follows:

It was a great satisfaction to learn that Lt. Col. Edward H. Heller's name was to be presented to the Senate as a member of the Surplus Property Board. It is my pleasure strongly to urge that his appointment be confirmed. In my judgment his integrity is above question and his abilities, experience, and character are such that he would make an ideal Chairman of the Board. As liaison officer stationed at the Federal Reserve Bank of Boston he has given valuable service to the War Department and aid to this bank in connection with Government-guaranteed war production loans to borrowers in this district, including the Narragansett Machine Co. In all matters his actions have been of great value to this bank and strictly in the best interests of the War Department and of the war production financing program.

Mr. President, I might say that is the tenor of every statement made about Colonel Heller. There was not one derogatory statement made against him by any witness. No improper act was charged against him.

It is true, Mr. President, that Colonel Heller is a businessman of large undertakings as well as great ability, and we therefore find this strange situation among the Senators opposing the nominees of the President. At one moment a Senator will say, "We do not want these men because they are not men of importance who have handled important affairs," and at another moment another Senator will condemn them because they have large property interests.

The distinguished Senator from Vermont has raised one very unfortunate point, as he claims, against Colonel Heller. What is that? We have in the West a great, a dynamic industrialist, Henry Kaiser, with many great interests. He is a one-sixth owner, I think, in the Permanente Cement Co.

There are other corporations having an interest in that company. Colonel Heller has an interest in another company which has an interest in the same Permanente Cement Co., his interest being worth, so he tells me, about \$17,000. So, because Colonel Heller has an interest in a company in which Henry Kaiser and other businessmen in the West are interested, he is to be stigmatized by the United States Senate as an undesirable citizen.

Mr. CHAVEZ. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. MAGNUSON in the chair). Does the Senator from California yield to the Senator from New Mexico?

Mr. DOWNEY. I yield.

Mr. CHAVEZ. What is wrong with Henry Kaiser having such interests? He has earned them. He has contributed immensely to the war effort. To this day I have heard no one say that an American citizen should not get ahead and become something in this world, either economically, politically, or otherwise. The fact that we have such men as Colonel Heller, Henry Kaiser, Chrysler, Ford, Sloan, and others, is what makes America.

Mr. DOWNEY. I thank the distinguished Senator for that statement. I must admit that I am unable to answer his question.

Mr. PEPPER. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. PEPPER. It would certainly be undemocratic for anyone in a democracy to criticize another, or to hold him ineligible for responsible office merely because he happened to be fortunate enough to have a considerable amount of money. In the case of Colonel Heller, if I correctly understand, his background and record are those of a liberal, progressive man who has manifested a deep regard for the true principles of democracy. Is not that correct?

Mr. DOWNEY. That is correct. Colonel Heller has the support not only of the great business groups of California, but likewise of the labor groups and the liberals. He is a man almost unique in our State. By virtue of his integrity, ability, kindness, and philanthropy, he has endeared himself to all our people. Not one telegram, not one letter, and not one word has been presented against him. The only thing that can be said is that he is a man who, by his vast ability, has been able to handle successfully great enterprises.

But the distinguished Senator says that there is another unfortunate thing, and that the tragic impact upon American opinion of that thing is most regrettable. He says that out of the dark clouds surrounding the Narragansett Machine Co. appear these two figures, Governor Hurley and Colonel Heller,



mysteriously linked together. He cannot understand how they could have been selected from that same arena, at the same time, for the same board, and he attempts to create a sinister atmosphere of suspicion in our minds because of this situation. I believe the distinguished Senator stated that it is almost incredible that the appointment of Colonel Heller and Governor Hurley could be nothing more than a coincidence.

Let me say to the distinguished Senator that it is a coincidence. If he desires to trace the simple and natural steps which is readily explainable by which Colonel Heller and Governor Hurley came to know each other casually, I am glad to help him.

Colonel Heller was a volunteer in the first war, at 18 years of age. When this war broke out he again volunteered his services. He was brought to Washington by the War Department, and because of his business ability the War Department assigned him as liaison officer at Boston, with the Federal Reserve bank. Is the distinguished Senator insinuating that some mysterious and sinister machinations of the War Department placed Colonel Heller there improperly? Is he for some reason insinuating that he enlisted in the Army so that he could be sent to New England? The simple truth is apparent. Colonel Heller enlisted in the Army, and was assigned by the War Department to the city of Boston. In that city he worked with the Federal Reserve bank to help make loans to industries which were in poor credit condition, but were vitally needed by the War Department because of their facilities for producing arms and munitions for our military purposes. I am surprised that any Senator should cast suspicion upon Colonel Heller or upon the War Department because Colonel Heller was in Boston and had something to do with the Narragansett Machine Co. with which Governor Hurley was also naturally associated.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. DOWNEY. I yield.

Mr. LUCAS. Is there any evidence in the record which discloses what the War Department did in connection with the Narragansett transaction so far as Colonel Heller is concerned?

Mr. DOWNEY. I will answer the question of the distinguished Senator by reading from the record on that point. There was a hearing before a House committee on the question of the Narragansett Machine Co. As a result, Julius H. Amberg, special assistant to the Secretary of War, made an exhaustive investigation of the affairs of the Narragansett Machine Co. and everyone connected with it. Mr. Amberg appeared before our committee and made the following statement:

I am here today, authorized by the War Department to come, to state that in the course of my investigation into the matter, I have found nothing which the War Department in any way condemns with respect to the conduct of Lieutenant Colonel Heller, one of the nominees whom the committee is considering today.

Mr. LUCAS. Was Colonel Heller ever demoted or removed from any responsible position in the War Department as the result of any transactions or negotiations which he had with the Narragansett Machine Co. as an agent of the War Department?

Mr. DOWNEY. No; he was not. On the contrary, he was promoted from major to lieutenant colonel during that time. He received the highest commendation, not only from the War Department, but likewise from the Federal Reserve bank. I have read a message from Mr. Flanders to that effect. I could cite others from impartial and high sources.

The truth is that, while the Senator himself cast wide suspicion over the affairs of the Narragansett Machine Co., the situation is simple and plain. Four months before Colonel Heller was assigned to Boston, and almost a year before Governor Hurley was connected with the Narragansett Co., the Ordnance Department of the Army put \$500,000 worth of machinery in the Narragansett Co.'s plant, and was instrumental in obtaining for the Narragansett Co. a large subcontract from the Ford Motor Co. That set the stage for what happened thereafter. It is my opinion that had the War Department done anything else except what it did, namely, to try to help, as best it could, an institution which was weak financially, but which had important war facilities, those responsible should have been strongly condemned. As a matter of fact, the Narragansett Co. has done a first-class job. There will probably not be \$1 of loss on the loans which were made. Ninety-five percent of its contracts were performed very well indeed.

However, let us further trace this alleged coincidence which seems so suspicious to the Senator from Vermont. How did it happen that after Colonel Heller had been assigned to Boston, he was appointed to the Surplus Property Board at the same time when Governor Hurley, of Connecticut, was appointed? In answer to that question I may say with some slight degree of satisfaction that after 6 years of trial and effort, I do believe I was successful in calling seriously to the President's attention a California citizen for possible appointment to important office. We on the Pacific coast, so far as I know, have not one important officer in the administrative branch of the Government at Washington. I felt that in view of the huge amount of surplus property which would be left in the West, we should have a westerner on the Board, one familiar with western conditions. Of course, I realized that his duties would be Nation-wide and that he should be a man of outstanding ability.

Mr. President, I faithfully searched the State of California to find for the people of this Nation a man in the western region whom I believed would be the best man for this position. I believed that man to be Colonel Heller, and I presented his name to the President.

I shall read only a short portion of the telegram I sent to the President. I read all of it this morning, and in a few minutes I shall ask unanimous consent to

have the entire telegram placed in the RECORD. It was on September 7, 1944, that I telegraphed to the President:

MY DEAR MR. PRESIDENT: May I recommend for your consideration the appointment of Edward H. Heller, of San Francisco, Calif., as Surplus Property Administrator. Mr. Heller is now a lieutenant colonel in the Army, stationed at Boston, Mass.; and while he is still a comparatively young man, being only 44 years of age, he has behind him a long record of successful business administrations, having managed, or been connected with, many of the largest industrial and business enterprises in the West. His intelligence and patriotism are beyond question, and his appointment would be recognized as a most perfect one by all who know him.

Mr. President, I ask unanimous consent that the entire telegram be printed in the RECORD at this point.

There being no objection, the telegram was ordered to be printed in the RECORD, as follows:

SEPTEMBER 7, 1944.

HON. FRANKLIN D. ROOSEVELT,

*The White House, Washington, D. C.*

MY DEAR MR. PRESIDENT: May I recommend for your consideration the appointment of Edward H. Heller, of San Francisco, Calif., as Surplus Property Administrator. Mr. Heller is now a lieutenant colonel in the Army, stationed at Boston, Mass.; and while he is still a comparatively young man, being only 44 years of age, he has behind him a long record of successful business administrations, having managed, or been connected with, many of the largest industrial and business enterprises in the West. His intelligence and patriotism are beyond question, and his appointment would be recognized as a most perfect one by all who know him.

We all agree that it is most important that all inefficiency, dishonesty, profiteering, and tendency toward monopolism must be prevented in the sale of our surplus governmental property. Colonel Heller's ability and character and his devotion to liberalism more highly qualify him to perform the necessary duties of the Surplus Property Administrator than any other man I know. I believe California possesses within its borders substantially more surplus Government property than any other State in the Union, and I think it is generally conceded our problem of reconversion will be greater than almost any where else. California is now third State in the Union in population, and first in combined production of agricultural and industrial goods. I believe the entire western portion of the United States would highly approve and appreciate Colonel Heller's appointment as one to which our region is fully entitled and one to which he is ideally fitted. Let me express my deep appreciation for your attention to this communication.

SHERIDAN DOWNEY.

Mr. DOWNEY. Mr. President, I am led to believe that upon receipt of that telegram the President of the United States instituted a rigid inquiry into the background and character of Colonel Heller, and that as a result of that investigation, prompted by my letter, Colonel Heller has received this nomination.

I desire likewise to state to the Senate that I was not prompted in any way by any political considerations in presenting the name of Colonel Heller. In a matter of this kind, I would agree with the distinguished Senator from Colorado that it would be a tragic national misfortune if we did not place men of high ability and integrity in these positions. Perhaps I should not say this, and I ask pardon if I am wrong in doing so, but it



# House of Representatives

SATURDAY, DECEMBER 16, 1944

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

O harbinger of peace and of good will to the children of mankind, we acknowledge Thee to be the only Saviour of the world. Thou hast broken the silence of eternity and made the face of the Infinite God most glorious. Beneath the cover of frail flesh has throbbed the power which built the world, for in the might of the manger cradle is the hand of the Creator of heaven and earth. O speak in this year of our Lord, that loathsome wickedness may lose its power, that untruth may cast aside its mask, and that man may walk everywhere in newness of life and in the peace of brotherly esteem.

As we contemplate Thy lowly birth, we feel a devout spirit of mystery, yet we are conscious that the darkness is only the blindness of our own eyes, too weak to bear the white light of the holy promise; O teach us of Thy ways that we may walk in Thy paths. We praise Thee that we shall soon hear the angels' chorus: "Watchman, what of the night?" "Glory to God in the highest; on earth peace, good will toward men." O Thou whose halo is the light of timeless past, with Thine all-seeing eye move through this troubled world and touch its imprisoned soul; then the eyes of the blind shall be opened and the ears of the deaf unstopped and Thou wilt comfort Thy people and have mercy upon the afflicted. Fill our homes with the sweetest joy and bless the loved ones near and separated far away. Keep in Thy loving care our President, our distinguished Speaker, the Members, officers, employees, and the pages of the Congress—may Thy merciful providence abide with them. In our Redeemer's name. Amen.

## THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

## MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed without amendment a bill of the House of the following title:

H. R. 5566. An act to amend section 502 (a) of the Department of Agriculture Organic Act of 1944.

The message also announced that the Senate agrees to the amendments of the House to a concurrent resolution of the Senate of the following title:

S. Con. Res. 23. Concurrent resolution establishing a Joint Committee on the Organization of the Congress.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing

votes of the two Houses on the amendments of the House to the bill (S. 1827) entitled "An act for the relief of Oliver N. Knight."

## EXTENSION OF REMARKS

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein an article.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. LANE. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on two different matters, in the first to include an editorial which appeared in the Boston Sunday Post and in the second to include an editorial which appeared in the Christian Science Monitor, of Boston.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. ALLEN of Illinois. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include a letter which I received from one of my constituents.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. MASON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a news article.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. HARE. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include an address delivered by me at Knoxville, Tenn., December 1, 1944.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. WHITE. Mr. Speaker, I have two requests, one to extend my remarks in the RECORD and one to extend my remarks and include certain excerpts.

The SPEAKER. Is there objection to the request of the gentleman from Idaho?

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

Mr. RANKIN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include an address delivered by the Honorable Winston Churchill in the House of Commons yesterday.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

Mr. RANKIN. Also, Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include an address delivered by the Honorable Winston Churchill in the House of Commons a few days ago on the Greek situation.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. LARCADE. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD?

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

## FEDERAL CROP INSURANCE ACT— CONFERENCE REPORT

Mr. FLANNAGAN. Mr. Speaker, I call up the conference report upon the bill (H. R. 4911) to amend the Federal Crop Insurance Act, and ask unanimous consent that the statement be read in lieu of the report.

The SPEAKER. Without objection, the Clerk will read the statement of the conferees.

The Clerk read the statement to the conferees.

(For conference report and statement, see House proceedings of December 15, 1944.)

Mr. FLANNAGAN. Mr. Speaker, this is a unanimous report, signed by all of the Senate and House conferees. I believe it sets up a fair and just program of crop insurance for at least the trial period of 5 years.

Mr. Speaker, I believe that the great majority of the membership of the House are deeply interested in working out a sound crop-insurance program. We all realize the need for such insurance. We



are all cognizant of the fact that no private insurance company, so far, has been able to work out a plan whereby general insurance coverage is given the farmers on the crops they produce. If such a plan is developed, it will have to be developed by the Government, and the realization of this fact is the reason, we have before us for consideration the crop-insurance legislation.

Let me be perfectly frank about the matter. This legislation is an experiment. We are pioneering in a new field. No one can speak with certainty on the matter. While we all hope that the plan we have worked out will succeed, only time alone can tell the tale. I will say, however, speaking personally, that in my opinion the general welfare of the farmers demands that crop insurance be continued, even if during the 5-year trial period provided for we are unable to place the program upon a sound actuarial basis; provided, however, the cost of continuing the program is not unreasonable and altogether out of keeping with the benefits derived by the farmers. In other words, sound public policy demands that the farmers be furnished with a crop-insurance program, provided the burden of carrying on such a program is not too heavy. If we will only stop and figure up the cost to the Government occasioned by crop losses due to droughts, floods, disease and insect infestations, and other causes beyond the control of the farmers, I believe that we will find it would be cheaper in the long run for the Government to stand a reasonable loss in carrying on a crop insurance.

The Senate and House conferees have attempted to adjust their difference in such a way as to work out a fair and honest 5-year trial period for crop insurance. During this period we provide for a straight 75 percent coverage of the average yield. This makes certain to the farmers that during the first 5 years they—provided, of course, they take out insurance—are going to be paid 75 percent of their crop loss. Broadly speaking, under the terms of the legislation, after the 5-year period the insurance goes upon a mutual basis, and if the losses amount to more than the intake, the intake will have to be pro rated. To my mind this provision, unless we can put crop insurance on an actuarially sound basis within 5 years, is nothing short of a death sentence, and if at the end of the 5-year period the program is not actuarially sound it will have to be abandoned. We will, however, have 5 years to think this over. During these years we will, no doubt, learn many things from experience, and this experience will probably cause us to make many changes in the law.

In order for the program to have a reasonable chance to succeed, I believe there are certain things that are imperative from an administrative standpoint.

First. Insurance depends upon salesmanship, and we have got to put on a real sales campaign in order to bring a sufficient number of participants under the program. The greater the participation in the program the greater the chances for success will be. In this con-

nection, I believe a commission, rather than a salary, should be paid to those selling insurance.

Second. I believe that only a policy covering a period of at least 3 years should be sold. If this is not done the farmer will only take out a policy in the years when the prospects for a good crop are poor. Only term insurance—the longer the term the better—should be sold, so the losses will thereby be spread over a term of years.

Third. Someone familiar with insurance—especially in the selling end of insurance—should be placed in charge of the program. After all is said and done, insurance is a question primarily of salesmanship.

I know of no objection to the compromise bill.

Mr. AUGUST H. ANDRESEN. Mr. Speaker, will the gentleman yield me a little time that I may make a short explanation concerning the report?

Mr. FLANNAGAN. Yes.

Mr. Speaker, I ask unanimous consent to revise and extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. FLANNAGAN. Mr. Speaker, I yield 10 minutes to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. Mr. Speaker, I feel that an explanation is due the Membership of the House covering the essential points of the agreement reached by the conferees on the crop insurance bill. Several material changes were made in the House bill. The conference, however, was unanimous in reaching an agreement.

In order that there may be no misunderstanding as to my position on this type of legislation, I desire to point out the following: I would not support legislation to put the Government into the business of crop insurance or any other kind of business if such business could be done through private endeavor. It has been clearly demonstrated to the committee that no private insurance company in this country has ever succeeded in providing farmers with full-coverage crop insurance. Every private company which has sold such insurance to farmers has failed. It cannot therefore be said that should the Congress approve an experiment to provide American farmers with over-all insurance on crops, under sound actuarial and administrative policies, that it will encroach upon the business of any private insurance company.

There is a need for the establishment of a sound over-all crop insurance program in this country. Billions of dollars have been paid out of the Treasury during the last 12 years to farmers to supplement their income and to provide them with money to purchase seed for the planting of crops on account of failures and for feed for livestock. With a national debt approaching \$300,000,000, it must be apparent to every thinking person that the time will soon be here when such appropriations can no longer be made. It is therefore my hope

that out of this legislation will come a sound and permanent program which will give American farmers the opportunity to insure all of their crops upon the payment of premiums sufficient to take care of the losses. Such a program under this bill, if it works, will assure farmers of a 75 percent return of income of the recorded or appraised average yield of the crop covered by the insurance when losses occur. This is and should be a business proposition. The farmer pays his premium and, if he sustains a loss, he is protected up to 75 percent of the damage.

To make any crop insurance program worth while I insist that it must be administered by the highest quality of men experienced in the insurance business. Secondly, the premiums collected for insurance coverage on any crop must be based upon sound actuarial experience. In the third place, the insurance organization created by this legislation should be run on a business basis and not as a charitable or political proposition. If those in charge of the administration of crop insurance do not follow these fundamental policies, the entire program is doomed for early failure.

I recognize that any organization of this character must necessarily go through an experimental stage, and that during such a period the Government may be called upon for financial assistance to make up losses not adequately covered from premium collections. The bill provides for such an experimental period of 5 years, after which all losses will be paid out of premiums. If the premiums, less a 10 percent reserve which is required to be set aside after the fourth year, are not sufficient to take care of all losses, then those who have suffered a loss will be paid on a pro rata basis, and the Government will not be called upon to make up the difference. In other words, we are endeavoring by this legislation to insist on putting into practice certain basic business policies to assure success in the establishment of a sound and permanent, as well as self-sustaining, over-all crop-insurance program.

Mr. FLANNAGAN. Will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield to the gentleman from Virginia.

Mr. FLANNAGAN. May I state to the gentleman that Mr. Marvin Jones, of the War Food Administration will be happy to meet with the Committee on Agriculture of both the House and Senate in order to go over the administrative end of the program. He assured me he would cooperate to the fullest extent in carrying out the views of the House and the Senate on the administration of the program. As the gentleman knows, we had a discussion of that during our conference and it was the opinion of all the conferees that we should have such a conference and that we should have some say-so in the way the program will be administered.

Mr. AUGUST H. ANDRESEN. The gentleman recognizes the fact that one of the reasons for failure in the present program was due to the lack of experience on the part of the administrators.



Mr. FLANNAGAN. I think that is largely true.

Mr. AUGUST H. ANDRESEN. May I say that this is no reflection on those in the Department who have been handling this program. What I have said here today about getting well trained, experienced men to handle this crop-insurance program is something that is necessary if the program is to succeed.

Mr. SHORT. Mr. Speaker, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield to the gentleman from Missouri.

Mr. SHORT. The distinguished chairman of the committee has partially answered the question I had in mind, which was to ask what assurance, if any, we had that we will have increased efficiency in the administration of this law if the conference report is adopted?

Mr. FLANNAGAN. Mr. Speaker, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield to the gentleman from Virginia.

Mr. FLANNAGAN. May I say to the gentleman from Missouri that I think Judge Jones will cooperate to the fullest in setting up the right kind of personnel to administer this program. We will be largely governed by the thought of the Senate, and the House, as to the most effective and efficient way whereby the program can be administered.

Mr. SHORT. Heretofore the War Food Administrator has not had the authority or control over the administration of the Act.

Mr. FLANNAGAN. That is right.

Mr. SHORT. I feel satisfied that if he is given that control we will have a better administration.

Mr. AUGUST H. ANDRESEN. Let me say to the gentleman from Missouri that the additional check we have on the administration of this program is the fact that they must come to the Committee on Appropriations every year for administrative expenses. The bill also provides that a report must be made to the Congress each year. We, in the Committee on Agriculture, are urging you to give this program a trial. We give you our assurance that as long as we remain here we will see to it that this program is carried out on a businesslike basis; otherwise I will be the first man to come before this House and urge my colleagues to vote down any appropriation to administer the program.

Mr. SHORT. It is hoped that the administrative costs in the future will be considerably less than they have been in the past, because they have been excessively high.

Mr. AUGUST H. ANDRESEN. In that connection, after the 5-year experimental program, the conferees agreed to the amendment which I offered to the bill which limits the administrative expenditures to 25 percent of the premium collected in the preceding year.

Mr. SHORT. I think the chief criticism of the Congress about this whole proposition has been the excessive costs of administration; the money not going to the farmers for whom it was really intended.

Mr. AUGUST H. ANDRESEN. We recognize that when you are building up

a big business like crop insurance the expenditures are going to be more than the income, but we are laying the foundation here for what I believe will eventually be a sound crop-insurance program, if properly administered.

Mr. KNUTSON. Mr. Speaker, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield to the gentleman from Minnesota.

Mr. KNUTSON. I notice the legislation only deals with cotton, wheat, and flax. Did the Senate or the House give any consideration to the inclusion of soybeans and rye, which will become increasingly important?

Mr. AUGUST H. ANDRESEN. May I answer the gentleman this way: To begin with, the program will go into operation on cotton, wheat, and flax. Then for an experimental period for the first year of 1945 it will cover corn and tobacco in 20 counties. In addition, they may select three other crops for experimental purposes. The reason for the experimentation and the restricted area in which that insurance will be placed is due to the fact that they do not have actuarial figures upon which to determine premiums and other necessary information.

The SPEAKER. The time of the gentleman from Minnesota has expired.

Mr. FLANNAGAN. Mr. Speaker, I yield 10 additional minutes to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. The bill provides that the premiums must be based upon actuarial facts, because no program can succeed unless it is sound, and the premiums must be large enough to cover what the indemnities might be over the entire country.

Let me answer the gentleman's question as to the other crops. The gentleman knows that we put an amendment into the House bill which provided for a study and eventually the coverage of oats, barley, and rye. I offered that amendment. Those crops will become a part of the experimental program.

Mr. KNUTSON. I notice that you place a limitation on using more than 25 percent of the premiums for administrative purposes. Is not that rather high?

Mr. AUGUST H. ANDRESEN. No. The figures we had from private insurance companies showed that the administrative or overhead expense went as high as 48 percent. We felt that that limitation placed on it after the experimental period would at least restrain them from spending too much money.

Mr. MILLER of Connecticut. Mr. Speaker, will the gentleman yield?

Mr. AUGUST H. ANDRESEN. I yield to the gentleman from Connecticut.

Mr. MILLER of Connecticut. Was the 25 percent limitation taken off for the first 2 years because the committee thought it was too high or too low?

Mr. AUGUST H. ANDRESEN. It was felt that there should first be a 5-year experimental period.

Mr. MILLER of Connecticut. The 25 percent in any type of insurance I know of is exceedingly high. I cannot imagine any figures that would show an administrative overhead of anything like that mentioned by the committee of 48 per-

cent. It goes down to 8 or 9 percent in both casualty and fire insurance.

Mr. AUGUST H. ANDRESEN. Of course, life insurance is not comparable with this. The figures show that during the years the program was in operation the overhead expense, the administrative expense, was 38 percent.

Mr. MILLER of Connecticut. The Government insurance?

Mr. AUGUST H. ANDRESEN. Yes.

Mr. MILLER of Connecticut. When you figure the overhead for this program, is any allowance made for rent, light, heat, and things like that that have to be taken into consideration?

Mr. AUGUST H. ANDRESEN. They have been operating through the triple-A office. That has run into a lot of money. In a good many counties in which the committees have operated they have probably been paid and have not produced any business.

Mr. MILLER of Connecticut. I notice reference to operating according to sound actuarial facts. I am wondering where the Government is going to get any sound actuarial facts on crop insurance.

Mr. AUGUST H. ANDRESEN. The experience of some of the old-line companies that undertook this type of insurance years ago, plus the general experience that insurance men would have, should be helpful in setting up this program so it would be actuarially sound.

Mr. MILLER of Connecticut. They could not make it work for themselves, and I wonder how they could make it work for the Government.

Mr. AUGUST H. ANDRESEN. These premiums are to be set up on an actuarially sound basis. The experimental program covers a period of 5 years. An amendment which I offered was placed in the bill requiring that a reserve of 10 percent of the premiums be set up, and at the end of the fifth year there would be a limitation on administrative expenditures of 25 percent of the premiums collected in the preceding year.

Some criticism will be raised, particularly by the gentleman from Illinois [Mr. DIRKSEN], to the effect that the conferees abandoned the House provision which limited the indemnities to the cost of putting the crop in. In part we did abandon it, but as a general principle, after the experimental period of 5 years is over, the conference report provides that the indemnity shall be paid on a pro rata basis if the premiums are not large enough to cover the losses. We retained that in the bill so that after the experimental period, whatever the premiums are and whatever the losses are, they will have to balance. If the losses exceed the premiums, those who have suffered loss will receive their payments on a pro rata basis.

As to the coverage, the bill provides for 75 percent of the recorded or appraised average yield of the crop, which is what we had in a part of the House bill with the limitation that it could not exceed the cost of putting the crop in. That is what was abandoned. In addition, the Senate wrote in a provision for a \$30,000,000 appropriation to secure



additional flax production in the United States.

Mr. SHORT. Mr. Speaker, will the gentleman yield at that point?

Mr. AUGUST H. ANDRESEN. I yield.

Mr. SHORT. Can the gentleman give the Members of the House at least a rough estimate as to what the total cost of this will be to the taxpayers?

Mr. AUGUST H. ANDRESEN. The total cost of the insurance program is difficult to estimate but I am satisfied that the Committee on Appropriations, which has to pass on all appropriations for administrative expenses, which committee has as one of its members, the distinguished gentleman from Illinois [Mr. DIRKSEN], will see that the appropriations are held within the bounds of decency and according to the needs.

Mr. SHORT. Well, does the gentleman mean to say we are voting on something here today the amount of which is so uncertain?

Mr. AUGUST H. ANDRESEN. No. The sum of \$3,000,000 has been allocated, I might say, which will cover administrative expenses up to June 30, 1945.

Mr. SHORT. Mr. Speaker, as long as the money goes to the farmers, to whom we intend it to go when we vote for this, instead of to some political agency, I do not think there would be serious objection.

Mr. AUGUST H. ANDRESEN. They have some expenses which would be necessary to set the program up. I am willing to concede that, and I agree with the gentleman from Missouri.

#### FLAX PRODUCTION

Mr. Speaker, I also desire to call your attention to a section of the conference report which provides for an appropriation of \$30,000,000, which will be used as incentive payments to farmers to bring about an increase in the acreage of the 1945 flax crop. This appropriation was inserted by the Senate. The conferees of the House approved it, and I strongly urge the House to accept the amendment in the interest of the war effort and for the benefit of our civilian economy.

In 1943 the farmers of this country raised about 52,000,000 bushels of flax. Flax is a very essential crop in the war effort and also most essential in the civilian economy because of the fact that the linseed oil which comes from the flax goes into paints, varnishes, and oils and into many other products. There was no particular effort made to secure the same production of flax in the United States for 1944 and as a result the flax production went from 52,000,000 bushels down to about 26,000,000 bushels.

The farmers did not have the price incentive to produce flax, due to the low price established by the O. P. A. on flaxseed. It was more profitable to produce corn, soybeans, and other crops. In fact the farmers could make twice as much money or three times as much money producing corn, wheat, soybeans, and other crops than they could by producing flax. Furthermore flax is a hazardous crop. Now it was thought we could get flax in from the Argentine. Well, due to the restrictions placed on the importation of flax from the Argentine by the

State Department no flax came in from that country. Now we find ourselves without sufficient flax to take care of the war effort and also to provide care of the civilian needs. The O. P. A. refuses to raise the price on flax and so it was decided by the flax producers and those of us who are interested in having enough flax and linseed oil for our domestic economy and for the war effort, to try and urge the farmers to raise more flax. It was believed that, if the farmers would receive \$5 or \$6 an acre as incentive payment for planting and producing flax, then we could probably get the five or six million acres needed to produce around 50,000,000 bushels of flax in 1945.

I definitely prefer that farmers should receive compensatory and fair prices in the market place for flax or any other commodity in the place of subsidies from the United States Treasury. But, with flaxseed, we are up against a reality. The O. P. A. refuses to increase the price of flax to a point that will induce farmers to plant this crop in preference to other products which are more profitable under existing price ceilings. We need the flax for the war and for our civilian economy. To get results in production of flax, farmers in flax-producing areas must be assured of a return for flax which will be on a par with other crops, and I am, therefore, urging you to vote for this appropriation as a matter of necessity to secure the production of this most vital crop.

Mr. Speaker, I want to urge my colleagues on both sides of the aisle to vote for this conference report in an effort to bring about the inauguration of a sound crop-insurance program, which I believe this bill will do if it is administered properly.

Mr. FLANNAGAN. Mr. Speaker, I yield 5 minutes to the gentleman from Illinois [Mr. DIRKSEN].

Mr. DIRKSEN. Mr. Speaker, I say with some reluctance that I cannot agree to the conference report. It is rather regrettable that it comes in the shank of the session when the Christmas season is already moving and inspiring Members to go home. I feel that I am in a rather squeamish position in objecting at this late date. Yet it occurs to me that two of the very vital things we agreed to when this legislation passed the House some weeks ago, by a very substantial vote, have been deleted by the Senate, and those deletions have been agreed to by the House conferees.

The first one you will find on page 2 of the bill, which relates to the payment, which shall not be in excess of the investment the farmer has in the crop, and by investment there is included the labor, the fertilizer, the seed, the preparation of the soil, and all other applicable costs. It occurs to me that one of the fundamental rules of insurance is that no man can get more than what has been destroyed. No fire-insurance company will pay \$10,000 on an actual loss of \$4,000.

Mr. FLANNAGAN. The conferees of the House agree to the Senate amendment for several reasons. In the first place, we wanted to put the matter on a fair, just, and equitable basis. It should not be put upon an investment basis.

If placed upon an out-of-pocket investment basis, you would have to find out how much each farmer spent for fertilizer, how much he spent for seed, and so forth, in order to determine what his out-of-pocket loss amounted to, and it would mean in my opinion the policing of every farm in America in a way that the American farmers would never stand for.

Mr. DIRKSEN. I would say to the gentleman that it is far more fundamental than that. It is the question whether Congress will subscribe to a principle which is not sound insurance, so that when you insure up to 75 percent of your investment, which might exceed \$2,000, when the loss will be only \$1,000, that will be making it speculative. That is so fundamentally wrong in my opinion that that is one reason I cannot go along with the conference report.

Mr. FLANNAGAN. When you put this upon a yield basis, you are protecting that farm income, and that is what we should do. The farmer is entitled to some protection of his income, and if he pays for that protection he certainly should receive what he pays for.

Mr. DIRKSEN. Where the gentleman from Virginia is in error is that this plan is designed to insure against loss. It is not designed to insure a profit, and yet the way this bill is written in the form of a conference report, it does insure a profit.

Mr. FLANNAGAN. Where we insure a crop, we are trying to protect that farmer's income and to insure against loss of that income up to 75 percent. I think that any crop-insurance plan should have for its aim the protection of the farmer's income. Income other than out-of-pocket loss should be the principle upon which crop insurance is based.

The SPEAKER. The time of the gentleman from Illinois has expired.

Mr. FLANNAGAN. Mr. Speaker, I yield the gentleman 3 additional minutes.

Mr. COOLEY. Mr. Speaker, will the gentleman yield?

Mr. DIRKSEN. If the gentleman from Virginia will yield me more time, I have one more point I wish to make.

Mr. COOLEY. I may say to the gentleman in that connection if he will yield that the farmer cannot be guilty of malfeasance and still collect indemnities. The law requires him to reseed wherever reseeding is customary under the circumstances; and then there is the further fact that he is insured for only 75 percent of the normal yield. Certainly he could not enrich himself or make a profit if he collects on only 75 percent of the normal yield.

Mr. DIRKSEN. I would say to my good friend from North Carolina that in many cases 75 percent might aggregate more than the total investment in the crop considering every factor of cost; so we are insuring profit. And so I simply say this is a proposal to insure farm income. If it is, the whole plan ought to be redesignated and its purposes should be restated.

Now let me refer to one other thing. The conferees agreed to strike out that



provision where, if the indemnities were in excess of the reserves and premiums the House further provided that the indemnity should be scaled down on a pro rata basis so as to make it self-sustaining. This has been stricken out and the House conferees have agreed; so it is no longer self-sustaining, there is no assurance that it will be self-sustaining and we find ourselves in exactly the same condition we were when I took some part in having the appropriation canceled to do away with the crop-insurance program.

Those two things I regard as vital to this undertaking and that is one reason I sent word to the gentleman from Kansas [Mr. HOPE] early in the month stating that I would be for the bill as first presented. I talked to my good and gracious friend, the gentleman from Georgia [Mr. PACE] and told him I was for it as he presented the bill a few weeks ago. But now all of this has been reversed in conference. It would be infinitely better to let the whole thing go over until next year, to reject the conference report and take a more objective look at it, then bring in something sound, because if we do this now we will be a long time undoing the mistake that we will make in adopting this conference report.

Mr. AUGUST H. ANDRESEN. Mr. Speaker, will the gentleman yield?

Mr. DIRKSEN. I yield.

Mr. AUGUST H. ANDRESEN. With reference to the point that the gentleman has made, let me call attention to the fact that at the end of the experimental period of 5 years the losses accrued on a pro rata basis depended upon the premiums less the 10-percent reserve that was collected.

Mr. DIRKSEN. Then it seems to me with 5 years experimental insurance on wheat and cotton we should have amassed sufficient actuarial data to enable us to set up a self-sustaining program. Instead of that, we are embarking on another 5 years of losses to the Federal Treasury.

Mr. AUGUST H. ANDRESEN. I may say to the gentleman from Illinois that the bill provided for the setting of premium rates that were actuarially sound on wheat and cotton. If we have the proper administration we hope to get, by experienced insurance men, it ought to be handled on a sound basis and accomplish the very thing the gentleman desires.

Mr. DIRKSEN. I simply say that I am distressed about the whole thing. I am against the conference report. I hope the thing can go over until the next session.

The SPEAKER. The time of the gentleman from Illinois has again expired.

Mr. FLANNAGAN. Mr. Speaker, I yield 3 minutes to the gentleman from Wisconsin [Mr. MURRAY].

Mr. MURRAY of Wisconsin. Mr. Speaker, I opposed this legislation when it was called up in the House. I voted for it in the hope that when the bill reached the other body some of these defects would be remedied. I had hoped the other body would include the war crops. The bill in its present form

means, in order to keep the record straight, that we have lost \$60,000,000 insuring wheat and cotton and now we are going to open up the doors again and lose another \$60,000,000 insuring cotton and wheat. We are starting out on an insurance program of two commodities in the case of each of which we have a surplus. We are getting ready to pay an export bounty to get rid of these crops even after we have raised them.

As far as my good friend Marvin Jones is concerned, I do not think he is on trial here today. I believe that we always have to depend upon Marvin Jones. He may operate it on the basis of political expediency or on the basis of sectional favoritism. I hope the conference report will be voted down. I hope that if we are going to have a crop-insurance program we will have one that includes all crops. We should all be getting tired of year after year hearing largely about crops that represent such a small part of agriculture.

Mr. DWORSHAK. Mr. Speaker, will the gentleman yield?

Mr. MURRAY of Wisconsin. I yield.

Mr. DWORSHAK. Does not the gentleman believe that these provisions foredoom this entire program to failure?

Mr. MURRAY of Wisconsin. What provisions?

Mr. DWORSHAK. These provisions in the conference report that change the legislation as it was originally adopted in this body.

Mr. MURRAY of Wisconsin. Yes; the bill as presented today gives 5 years to carry on much the same as in the past. We have a shortage of butter; we have a shortage of pork and other livestock products; we have a shortage of sugar. The approach of the present administration appears to be to promote, subsidize, and insure our surplus crops, and not provide legislation or administration for the food products that are not reaching our people in acceptable or desirable amounts, and the ones that are really most needed as war foods.

Sectional favoritism and political expediency must give way to an agricultural program that is based on economic and war needs. The longer this is delayed, the more food problems will confront the people and the war effort.

Mr. FLANNAGAN. Mr. Speaker, I yield 3 minutes to the gentleman from North Carolina [Mr. COOLEY].

Mr. COOLEY. Mr. Speaker, I do not understand what the gentleman from Wisconsin means when he refers to political expediency. Certainly politics has not actuated the committees of the Congress in bringing this legislation before the House.

Mr. FLANNAGAN. Will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Virginia.

Mr. FLANNAGAN. In reference to the charge of political expediency, may I say that Senator White, the minority leader in the Senate, made a statement over there that he polled the Republican members of the Committee on Agriculture in reference to this matter and they were unanimously in favor of the bill. It

passed the Senate without a dissenting vote.

Mr. COOLEY. That might be good news to the gentleman from Wisconsin. Frankly, I do not think any thought of political expediency entered any one's mind. The Republicans on our committee have made a very great contribution and have worked hard and diligently in an effort to bring a workable program before the Congress.

I do not believe that this program will enable any farmer to unduly enrich himself or that it insures any great amount of profit. The bill provides that in the event the farmer is guilty of malfeasance in the cultivation of his crop that fact shall be taken into consideration; likewise if it is customary in the community or locality to reseed or replant it becomes incumbent upon the farmer to carry out that sort of practice and to engage in good farming practices generally. I do not see how you can improve it.

What we are trying to do here is to carry on this experiment. It is an experiment. I predict it will succeed, although it might fail. I hope it will succeed and that the farmers will sooner or later have a sound insurance program. It is difficult to imagine a task more difficult than that of arranging an actuarially sound premium basis for this type of insurance because it covers all risks, every pest and every other crop disease or disaster that might befall a farmer.

Mr. MICHENER. Will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Michigan.

Mr. MICHENER. When we get right down to the bottom of this thing, does not the gentleman think it is experimental and that we would have done better had we continued as we started and used one crop, wheat, as the guinea pig? Before we started on this one crop, wheat, the actuarial experts came before the Congress, both those in and out of the department. No one objected to insurance and wheat was selected because it was easier to work on.

The SPEAKER. The time of the gentleman has expired.

Mr. FLANNAGAN. Mr. Speaker, I yield the gentleman 1 additional minute.

Mr. MICHENER. Wheat was easier to work on, although we all had flax, some of us had corn, some of us had barley, and some of us had something else and we tried to experiment on the whole field at once.

Mr. COOLEY. The gentleman is in error. We have not undertaken to experiment with more than two crops—cotton and wheat. The only reason flax was put into this bill was because flax is a very vital crop and is necessary in the war effort.

Mr. MICHENER. Yes; but we are confusing it. We are getting the vital crops and insurance mixed. This is an insurance bill if it is anything.

Mr. COOLEY. I know, but flax is grown in only a very small area.

Mr. MICHENER. They now include cotton. If we continued it on wheat we would know whether crop insurance would work on a crop to which it could be most advantageously applied. But in-



stead of that, because the cotton farmer was in bad shape, why we included cotton. Now we are including flax. The insurance companies take one crop. They do not take a whole field. They go out and insure against hail storms and they prove that they can do the business on hail storms before they attempt insect pests.

Mr. COOLEY. The gentleman will realize that during the past 2 years the Department has collected data on cotton, and it is just as reasonable to hope for a successful program on cotton as on wheat. Certainly this insurance should encourage the planting of flax.

Mr. FLANNAGAN. Mr. Speaker, I yield 1 minute to the gentleman from New York [Mr. EDWIN ARTHUR HALL].

Mr. EDWIN ARTHUR HALL. Mr. Speaker, as a member of the Committee on Agriculture it is a great satisfaction to me to see this conference report brought out today. I desire to express my appreciation to the committee particularly for including all other kinds of fruits, such as apples and grapes, in the experimental stage of this program. When one examines the situation in upstate New York, he will observe one of the greatest sections of the country for the production of apples, and fruits of all kinds of a perishable nature. The original bill did not include anything but citrus fruits, but I think it is logical, since those fruits are included, that apples and grapes and pears and peaches of all kinds certainly should be included. May I say to the House that this may only be a start in this program, but it is certainly necessary to include those fruits in the whole experimental program which must and will be carried out. It is a great satisfaction to see the Hall amendment included, and I know upstate fruit growers appreciate it a great deal.

Mr. FLANNAGAN. Mr. Speaker, I yield such time as he may desire to the gentleman from Texas [Mr. POAGE].

Mr. POAGE. Mr. Speaker, I think we all recognize it has been most unfortunate that during the past year circumstances have required the crop-insurance program to be suspended. That is not due to the fact that there is no existing law for crop insurance, because there is. If we do not pass this conference report today, we will have on the statute books the outline of a form of crop insurance that most of us agree has many defects that needs improvement, and that this conference report will improve very materially, that this report will give us a very much better form of crop insurance than that which is on the statute books today.

Mr. AUGUST H. ANDRESEN. Mr. Speaker, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. The gentleman has correctly stated that the committee has prescribed actuarial, sound Government, and business practices into existing law by this conference report.

Mr. POAGE. That is right. We tried to make the existing law better. It is not a question of whether you will vote for or against crop insurance. You

either vote for this form of crop insurance, which is vastly improved, or you vote for the existing crop insurance which is still on the statute books and which you will leave on the statute books if you vote against this report. You take your choice of voting for one of the two, because after all you are not repealing the existing crop-insurance law. I think the House already recognizes that we have an improvement here; that we ought to adopt it; that we ought to go on with a sound program. The old program had defects but the idea of insurance for farmers is just as sound as insurance for industry. Let us all try to get the best possible form of crop insurance and then give it a chance. Those of you who kept us from having an active program this year must know that you have made it just that much harder to make the program work in the future. Let us give this crop insurance a fair chance to work.

Mr. FLANNAGAN. Mr. Speaker, I yield such time as he may desire to the gentleman from Connecticut [Mr. MILLER].

Mr. MILLER of Connecticut. Mr. Speaker, in my humble opinion, the crop-insurance bill as approved by the House a few weeks ago provides for an unsound crop-insurance program. The amendments adopted in the other body, and now accepted by the conferees, will cost the taxpayers of the United States millions of dollars while, at the same time, the farmers will have poor protection. As approved by the House, the bill provides that not more than 25 percent of the premiums collected in the preceding year could be used for administrative expenses in any current operating year. That limitation has been taken off for a period of 3 years. In other words, the sky is the limit. The present program of crop insurance, now in process of liquidation, has cost the taxpayer \$69,000,000. If we can ever liquidate the program set up under this legislation, with losses under \$100,000,000, I will be very pleasantly surprised. Proponents of this legislation claim that this does not put the Government in competition with private business for the reason that insurance companies do not write all risk coverage on growing crops. The only reason this kind of insurance is not written by American insurance companies is that they know that an insurance on growing crops cannot be written profitably at anything like a reasonable premium. It will be interesting to watch the losses accumulate in the next few years.

(Mr. MILLER of Connecticut asked and was given permission to revise and extend his remarks.)

Mr. FLANNAGAN. Mr. Speaker, I yield 1 minute to the gentleman from Minnesota [Mr. H. CARL ANDERSEN].

(Mr. H. CARL ANDERSEN asked and was given permission to revise and extend his remarks.)

Mr. H. CARL ANDERSEN. Mr. Speaker, it is my hope that this crop-insurance conference report will be adopted. This is only a beginning in the attempt to secure a strong workable program which will be able to stand upon

its own feet, from a financial viewpoint.

I do not think that we need to be exorcized or disturbed over the 75 percent provision. You will note that this applies to 75 percent of the average crop. Certainly 75 percent of an average crop of flax will not show a profit to the producer.

Some time ago I called to the attention of the Department of Agriculture the necessity of providing a program to enlarge the production of flax, a vital war necessity. It is a pleasure to see the recognition of this need as expressed by the \$30,000,000 authorization included in this conference report.

May I again express the hope, Mr. Speaker, that today will mark the beginning of a sound and constructive crop, insurance program.

Mr. FLANNAGAN. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the conference report.

The question was taken; and on a division (demanded by Mr. DIRKSEN) there were—ayes 72, noes 19.

So the conference report was agreed to.

A motion to reconsider was laid on the table.

#### COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

Mr. HARRIS. Mr. Speaker, on behalf of our colleague, the chairman of our committee, the gentleman from California [Mr. LEA], I ask unanimous consent that notwithstanding any possible adjournment of the Congress the petroleum subcommittee of the Committee on Interstate and Foreign Commerce may have until midnight January 2, 1945, to file a report with the Clerk of the House.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

#### ELIMINATING AS UNCOLLECTIBLE CERTAIN CREDITS OF THE UNITED STATES

Mr. MANASCO. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 2071) to eliminate as uncollectible certain credits of the United States.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

Mr. MARTIN of Massachusetts. Reserving the right to object, Mr. Speaker, and I am not going to object, I understand this Senate bill is identical with a bill that has previously been passed by the House.

Mr. MANASCO. We passed a similar bill on December 4.

Mr. MARTIN of Massachusetts. This relates simply to a matter of bookkeeping within certain departments, anyway?

Mr. MANASCO. That is right.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

The Clerk read the bill (S. 2071), as follows:







[PUBLIC LAW 551—78TH CONGRESS]

[CHAPTER 713—2D SESSION]

[H. R. 4911]

AN ACT

To amend the Federal Crop Insurance Act.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subsection (a) of section 508 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

“(a) (1) Commencing with the wheat, cotton, and flax crops planted for harvest in 1945, to insure, upon such terms and conditions not inconsistent with the provisions of this title as it may determine, producers of wheat, cotton, and flax against loss in yields due to unavoidable causes, including drought, flood, hail, wind, frost, winter-kill, lightning, fire, excessive rain, snow, wild-life, hurricane, tornado, insect infestation, plant disease, and such other unavoidable causes as may be determined by the Board. Such insurance shall cover a percentage to be determined by the Board not in excess of 75 per centum of the recorded or appraised average yield of such commodities on the insured farm for a representative period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just. Such insurance shall not cover losses due to the neglect or malfeasance of the producer, or to the failure of the producer to reseed to the same crop in areas and under circumstances where it is customary to so reseed, or to the failure of the producer to follow established good farming practices. Insurance shall not be provided in any county unless written applications therefor are filed covering at least fifty farms or one-third of the farms normally producing the agricultural commodities authorized to be insured, except that insurance may be provided for producers on farms situated in a local producing area bordering on a county with a crop-insurance program. The Board may limit insurance in any county or area, or on any farm, on the basis of the insurance risk involved. ✓

“(2) For the purpose of determining the most practical plan, terms, and conditions of insurance with respect to corn, dry beans, oats, barley, rye, tobacco, rice, peanuts, soybeans, sugar beets, sugarcane, timber and forests, potatoes and other vegetables, citrus and other fruits, tame hay, and any other agricultural commodity, if sufficient actuarial data are available, as determined by the Board, to insure upon such terms and conditions not inconsistent with the provisions of this title as it may determine, producers of such agricultural commodities against loss due to the unavoidable causes covered in paragraph (1) of this subsection: *Provided*, That such insurance shall be limited in 1945 to corn and tobacco and to not more than three additional crops for each year thereafter. Insurance provided for any agricultural commodity under this para-



graph shall be subject to the limitations and conditions provided in paragraph (1) of this subsection, shall be for a period of not more than three years, and shall be limited to producers in not to exceed twenty counties selected by the Board as representative of the several areas where the agricultural commodity is normally produced: *Provided, however,* That such insurance may cover a percentage not in excess of 75 per centum of the investment in the crop, as determined by the Board. The Corporation shall report annually to the Congress the results of its operations as to each commodity under this paragraph."

SEC. 2. That subsection (b) of section 508 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"(b) To fix adequate premiums for insurance in the agricultural commodity or in cash, at such rates as the Board deems sufficient to cover claims for crop losses on such insurance and to establish as expeditiously as possible a reasonable reserve against unforeseen losses. Such premiums shall be collected at such time or times, or shall be secured in such manner, as the Board may determine: *Provided,* That, after the crop year of 1949, not more than a sum equivalent to 25 per centum of the premiums collected in the preceding year (beginning calculation of premiums collected in the crop year of 1949) shall be used for administrative expenses in any current operating year."

SEC. 3. That subsection (c) of section 508 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"(c) To adjust and pay claims for losses in the agricultural commodity or in cash, under rules prescribed by the Board: *Provided, however,* That, after the crop year of 1949, if the total amount of accumulated claims for losses on any agricultural commodity for any year exceeds the total amount of the premiums collected less the accumulated premium reserves of the Corporation with respect to any such commodity, (which reserves, after the crop year of 1948, shall not be less than 10 per centum of the premiums collected on such commodity), such claims shall be paid on a pro rata reduced basis. The Corporation shall provide for the posting annually in each county at the county courthouse of a list of indemnities paid for losses on farms in such county. In the event that any claim for indemnity under the provisions of this title is denied by the Corporation, an action on such claim may be brought against the Corporation in the United States district court, or in any court of record of the State having general jurisdiction, sitting in the district or county in which the insured farm is located, and jurisdiction is hereby conferred upon such district courts to determine such controversies without regard to the amount in controversy: *Provided,* That no suit on such claim shall be allowed under this section unless the same shall have been brought within one year after the date when notice of denial of the claim is mailed to and received by the claimant."

SEC. 4. That section 518 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"SEC. 518. 'Agricultural commodity', as used in this title, means wheat, cotton, flax, corn, dry beans, oats, barley, rye, tobacco, rice, peanuts, soybeans, sugar beets, sugarcane, timber and forests, potatoes and other vegetables, citrus and other fruits, tame hay, or any other

agricultural commodity determined by the Board pursuant to subsection (a) (2) of section 508 of this title, or any one or more of such commodities, as the context may indicate."

SEC. 5. Notwithstanding the provisions of the item entitled "Conservation and use of agricultural land resources", contained in the Department of Agriculture Appropriation Act, 1945, there is hereby authorized to be appropriated to the War Food Administrator an additional amount not exceeding \$30,000,000 for making payments, subject to the applicable provisions of the Soil Conservation and Domestic Allotment Act, as amended, to producers to encourage an increased production of flax for the crop year 1945 and the Administrator is authorized to make commitments to the producers of such commodity accordingly in advance of the appropriation of the funds herein authorized.

SEC. 6. For the administration of the Federal Crop Insurance Act, as amended, including amendments made by this Act, there is hereby made immediately available for the remainder of the fiscal year ending June 30, 1945, as an additional amount, not in excess of \$3,000,000 of the unobligated balances of the funds appropriated for carrying out the provisions of the Federal Crop Insurance Act for the fiscal years 1943 and 1944, and such amount thereof as may be required shall be available for deposit to the general fund of the Treasury for the cost of penalty mail incident to the crop insurance program as required by section 2 of the Act of June 28, 1944 (Public Law 364, Seventy-eighth Congress). The provisos in the items entitled "Federal Crop Insurance Act" contained in the Department of Agriculture Appropriation Act, 1944, and the Department of Agriculture Appropriation Act, 1945, are hereby repealed.

Approved December 23, 1944.





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